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# ORTHODOX SOCIALISM

## *A CRITICISM*

BY

JAMES EDWARD LE ROSSIGNOL, PH.D.

PROFESSOR OF ECONOMICS IN THE UNIVERSITY OF DENVER, AUTHOR OF "MONOPOLIES PAST AND PRESENT"

WITHDRAWN

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TO

MY FATHER AND FRIEND

JAMES HENDERSON

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# PREFACE

THE following pages contain a brief exposition and criticism of the essential points of Marxian Socialism, also called Scientific Socialism. That the fundamental theories of Socialism are by no means scientific has often been shown, yet many intelligent people are not aware of the fact. For this reason I have endeavored to present a critical examination of socialistic theory in a form not objectionable to the professional economist and yet intelligible to such of the laity as are interested in social problems, and entitled to form opinions of their own with regard to all important public questions.

It has frequently been said that the socialist movement represents a protest against the inequality of economic conditions rather than a conviction of the truth of socialistic theory. While there is some reason for a statement like this, it cannot be doubted that error can lead astray, and that a widespread knowledge of truth is necessary to guide the discontent and indignation of mankind in the direction of reasonable and practicable social betterment. The theories of

Socialism, if they are to do this, are sadly in need of radical revision. As they stand now, Socialism is more utopian than scientific, and calculated to divert society from its efforts to secure a gradual improvement of present conditions to the dangerous pursuit of an intangible and impracticable ideal.

I wish to thank my friends, Chancellor H. A. Buchtel of Denver and D. J. L. Day of Montreal, for their kind criticism and their help in preparing the manuscript for the press.

J. E. LE ROSSIGNOL.

University Park, Colorado.

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# CHAPTER I

## THE CREED OF SOCIALISM

LIKE every manifestation of human life and character, Socialism is new in form, but old in spirit. Envy and pity are as old as happiness and misery, and out of such a soil in every age has sprung a vigorous growth of reform and revolution. The inequality of man is the most striking fact in human history. Always have there been strong and weak, master and servant, rich and poor, according to the law of the eternal struggle: —

> "That they should take who have the power,
> And they should keep who can."

Opposed to the fact of inequality and aristocracy is the idea of equality and brotherhood, largely derived from Christianity. Creatures of one God, children of a common ancestor, similar in form and feature, intellect and appetite, why should not the sons of men live together as members of a single, harmonious family? Why should the good things of life belong to a few, and the miseries of existence to all the rest?

> "When Adam delved and Eve span,
> Who was then a gentleman?"

Out of a strong desire for better things has come the belief that better things are possible. Man is hopelessly optimistic. What he wants he thinks he can get. The poor of this world, always rich in faith, have conceived the thought of a perfect distribution of wealth, and the desire of their heart they believe they will one day attain. This desire and this faith is the spirit of Socialism.

There are at least three kinds of socialists: the naïve, the utopian, and the scientific. The naïve socialist, not knowing that he is a socialist, underestimating the strength of the propertied classes, appeals to the crude and primitive arbitrage of force, puts his confidence in bullets, bayonets, and barricades; and in him is fulfilled the significant prophecy, "They that take the sword shall perish with the sword." The narrow-minded, short-sighted rebel dies before his time, while his misguided followers, heartsick with hope deferred, cry out in bitterness of soul, "O Lord, how long?"

The utopian socialist, with his little book, his Plato, More, or Bellamy, comes to comfort the distressed with a glowing picture of a golden age, a heaven on earth, a New Jerusalem of peace and prosperity, where the hungry shall eat, the thirsty shall drink, and all tears shall be wiped away. How alluring this scheme of perfect harmony, how just the method of distribution, how attractive to the imagination, how comforting to the soul,

and yet how visionary, intangible, impossible, a city of dreams, a mirage of the desert!

The scientific socialist is the only socialist worthy of the name. The dialectics of Hegel, the economics of Ricardo, and the biology of Darwin combine in him to produce a theory of Socialism the most remarkable that the world has seen.

Heinrich Karl Marx (1818–1883), by birth a Jew, is the Moses of Socialism, its leader, lawgiver, and prophet. His great book, "Capital," is often called "the Bible of the working-class." In it are expounded the economic principles of scientific Socialism, which are thought to give a clear insight into the industrial system of the present time, and a knowledge of the tendencies of social life and growth sufficient to justify the assertion that the social revolution is at hand, and the economic "millennium" about to be ushered in.

The scientific socialist of the orthodox type is very sure of his ground. The present has no mysteries for him; the future is like an open book. To him all the world is divided into three classes: knaves, fools, and socialists. If you do not know Marx, you are a fool. If you know, and do not believe, you are a knave, or, at best, a parasite. If you know and believe, you are a socialist, one of the elect. Yet nobody should be offended when such epithets are used in the course of a scientific discussion, for it is quite legitimate to call men

parasites, exploiters, robbers, and the like, so long as it is done in a scientific spirit, which, as Marx puts it, "deals with individuals only in so far as they are personifications of economic categories, embodiments of particular class interests and class relations."

But of late years a sort of "higher criticism" has launched its attacks upon the strongholds of orthodox Socialism. Because of recent economic investigation, doubt has arisen concerning Marxian doctrines formerly considered fundamental. For such opinions some have been cast out of the synagogue, while others, incurring suspicion of heresy, have lost influence with their more orthodox comrades, who demand rigid adherence to essential principles. "Better a declared enemy," they say, "than a half-hearted friend." "Die Ganzen fürchten wir nicht, sondern die Halben."

The enlightened socialist, unable to deny the validity of the newer criticism, is careful to distinguish between the essentials and the non-essentials of Marxian doctrine. If Marx be shown to have made a mistake, he will say that the point is not essential, and will establish himself upon the foundation-stones of the Marxian system, which, he thinks, can never be overthrown. But if it were proved beyond a doubt that the whole teaching of Marx is fallacious, both in premises and conclusion, the confirmed socialist would, if necessary,

abandon his great teacher, saying, in effect, "Let Socialism be true and every man a liar." And if it could by any possibility be shown that Socialism, as a system of thought, is utterly untenable, the true socialist would retreat to his last stronghold, and say that Socialism, in the last analysis, is not a system of thought, but a process of social evolution, a law of the industrial world irresistibly moving on toward its final destiny.

To say this is to substitute assertion for proof, feeling for reason, faith for knowledge, utopian conjecture for scientific demonstration. It may be that feeling lies deeper than reason, that faith is more reliable than science, that we should believe in order that we may know, but the Marxian socialist does not consciously entertain such views as these, and will not uphold them except as a last resort. If Socialism is a science, how is it that socialists display so little of that openness of mind, that love for truth, that indifference to contradiction, that sublime patience so characteristic of the true scientific spirit?

In fact, Socialism is not a science at all, but a faith, a religion. Science for the socialist is a mere tool, a means to an end, to be discarded when it has served its purpose. For him science is once more reduced to the degrading post of handmaid to religion. In these days, when we have a psychology without a soul, let it not be thought strange

that we have a religion without a god. Like most religions, Socialism has its prophet and its book. The prophet is Karl Marx; the book is "Capital." Like all religions it has its creed, which the orthodox hold with the utmost dogmatism and intolerance. The twin passions of love and hate supply the motive power, and a firm conviction that the social revolution is at hand is a source of great enthusiasm in the propaganda for the conversion of the world.

Socialists are optimistic to the last degree. Unbounded is their faith in man; brilliant the destiny they predict for him. The socialist is essentially a prophet. Believing himself able to read the signs of the times, he does not fear to say that he can with certainty foresee in outline, at least, the changes that will take place in time to come. His prophecy, as he says, is not utopian, like that of Plato, More, Owen, and Saint-Simon, who were not able to give a reason for the hopes they entertained; but scientific, like the clear forecasts of the weather bureau or the logical demonstrations of Marx, Engels, Lassalle, Bebel, Liebknecht, Kautsky, and the rest, who are able to prove all things, even those that lie in the dim vistas of the future. Scientific prophecy, that is Socialism.

The International Socialist Congress, which met in Amsterdam in August, 1904, adopted the following resolution: "The Congress declares that

in order that the working-class may develop its full strength in the struggle against capitalism, it is necessary that there should be but one socialist party in each country as against the parties of the capitalists, just as there is but one proletariat in each country. For these reasons it is the imperative duty of all comrades and all socialist organizations to strive to the utmost of their power to bring about this unity of the party, on the principles established by the international congresses, that unity which is necessary in the interests of the proletariat to which they are responsible for the disastrous consequences of divisions in their ranks."

In these days of independent thought it is common to speak slightingly of creeds, but when men unite for religious, moral, political, or economic ends, they find that success cannot be attained without a certain degree of union in thought and feeling. In the words of the prophet, "Can two walk together except they be agreed?"

In early times, when philosophers like Plato, More, and Campanella saw visions of ideal Utopias, but never strove to realize their dreams, the question of uniformity in belief was of no consequence to themselves nor to the world at large. When more practical socialists, like Owen, Saint-Simon, and Fourier, began to establish their experimental communities — "duodecimo editions of the New

Jerusalem," as Marx called them — unity in faith was seen to be a matter of vital importance. Associations of philosophers, like the Brook Farm Community, speedily failed, while communities of simple-minded believers, like the Shakers, continued to exist until the present day.

But when, in the revolutionary agitation of 1848, socialists of all countries and every sect began to be conscious of a common purpose, the time was ripe for the formulation of a creed that should unite the revolutionary forces throughout the world. The hour was come, and the man. The man was Karl Marx, who, with his friend, Frederick Engels, drew up in London, in January, 1848, the "Manifesto of the Communist Party," the first formal utterance of the creed and program of scientific Socialism.

For some years thereafter the international faith was but slowly propagated; but after the publication, in 1867, of the first volume of "Capital," and in consequence of the political and economic development of Germany after the war of 1870, the views of Marx spread with great rapidity. At the present time there are over 3,000,000 socialist voters in Germany, and more than 6,000,000 in the world, of whom by far the greater part are enrolled under the banner of Marxian Socialism.

Orthodox socialists throughout the world, with all the variations in belief due to nationality, local

environment, temperament, or other causes, hold more or less strongly to the following doctrines, which may be briefly expressed in a series of propositions: —

1. The exchange value of commodities depends upon the amount of socially necessary labor-time required to produce them. This is the Marxian theory of value.

2. Although the working people, the proletariat, produce everything, their wages tend to equal the bare cost of living. This is the iron law of wages.

3. The capitalists, the bourgeoisie, take the greater part of the values created by the proletariat in the form of rent, interest, and profits. This is surplus value, obtained by exploitation or robbery.

4. The introduction of labor-saving machinery and improved methods of production creates a vast army of the unemployed and impoverishes the whole working-class, while the capitalists acquire a mass of commodities which they can neither use nor consume. The result is chronic over-production and under-consumption, and periodical crises, which threaten the very existence of the capitalistic system.

5. The desire for the necessaries and luxuries of life has generally been the controlling motive in the history of individuals and of society. Under

the influence of economic motives, and by the incessant struggle of opposing classes for the good things of life, society has evolved through the successive stages of slavery, feudalism, and capitalism. This is the economic interpretation of history and the doctrine of the class struggle.

6. Capital is being concentrated into the hands of a few magnates, and the middle class is being rapidly eliminated. Soon there will be only two classes left: capitalists and laborers, bourgeoisie and proletariat, the robbers and the robbed. But the proletariat will be the more numerous class, as they are now; therefore, becoming conscious of their strength, they will seize the political power and inaugurate the social revolution.

7. When the proletariat have taken the political power, they will gradually or speedily abolish capitalism by organizing industry on the basis of a common ownership and management of the means of production, with an equitable distribution of the product, so as to abolish poverty and all the other evils of capitalism.

8. After the establishment of Socialism, human character will adapt itself to the ideal environment; all men, or nearly all, will be industrious and virtuous, and an era of peace, prosperity, and happiness will prevail until the end of time.

9. The social revolution is coming and nothing can prevent it.

The "higher critics" of Socialism, among whom are Bernstein of Germany and Jaurès of France, by no means accept the orthodox creed in its entirety, but reject certain doctrines and mollify others, until there is little difference between them and the unbelieving reformer or the unconverted professor of political economy.

For example, these enlightened socialists are well aware that the labor-cost theory of value is utterly untenable. They know that the condition of the working people in all capitalistic countries is steadily, though slowly, improving. They recognize the fact that some, at least, of the bourgeoisie perform services to society, and thus earn their daily bread, if not all the luxuries which they enjoy. They are disposed to admit that men and women are at times actuated by other than economic motives. They suspect the accuracy of the orthodox theory of industrial crises, and concede the possibility that their frequency may be diminished, and their worst effects prevented, by a better organization of the capitalistic system. They are inclined to think that socialists might safely coöperate with unconverted reformers for the sake of securing the half-loaf of partial improvement in economic conditions. They sometimes admit that the social revolution may not come as a sudden cataclysm, but by a gradual and almost imperceptible process of industrial

evolution. Finally, they are disposed to appeal to the altruistic and idealistic side of human nature, and not altogether to the cold decisions of pure reason and the inexorable logic of scientific demonstration.

But these advanced socialists, heretical as they are, still claim to belong to the true fold, still hold to what they consider to be the essentials of Socialism, and, with possibly a little mental reservation, could honestly repeat a formula such as this: "I believe in economic evolution and the class struggle. I recognize exploitation as the essential evil of capitalism. I believe in the proletariat. I look for the social revolution, the regeneration of man, and the peace and prosperity of democratic collectivism."

## CHAPTER II

### THE LABOR-COST THEORY OF VALUE

KARL MARX was a man of original genius, who, one would think, might have worked out a theory of value of his own. That he did not do so is no evidence of sloth, for he was a most industrious worker. Nor can it be thought to indicate respect for the bourgeois economists, whom he despised. It must, therefore, be due to the fact that no man, however great, can rise far above the environment and atmosphere in which he lives. The intellectual environment of Marx was dominated by the English classical economists, of whom Ricardo was chief, and it was from Ricardo that he derived the labor-cost theory of value. Ricardo says, "Commodities exchange in the ratio of their respective costs in terms of labor;" and Marx expresses the same idea in slightly different words, when he says, "Commodities in which equal quantities of labor are embodied, or which can be produced in the same time, have the same value."

The problem is, to explain why commodities exchange, as they do, in certain ratios; why two yards of cotton exchange for two bushels of wheat,

one hat for one ounce of silver. Exchange value is ratio in exchange, which is a mathematical ratio, a quantitative relation, and any correct theory of value must explain the cause and measure of such ratios in exchange.

It is clear, says Marx, that the cause of value must be some property or quality which all commodities have in common. They all have size, weight, color, and other physical properties, but these have no direct relation to value in exchange. They all have utility, but utility cannot be the cause of value, for "£100 worth of lead is of as great value as £100 worth of silver or gold." Therefore, there is only one other property which all commodities have in common: the fact that they are all produced by human labor.

Labor, then, must be the cause and measure of value. But the measure of labor is its duration. Therefore the exchange values of commodities are determined by the amount of labor-time incorporated or materialized in them. But labor may be misdirected. Therefore the labor which creates value must be "socially necessary," or properly applied to the creation of utilities. Marx thus arrives at the conclusion that "value is determined by the socially necessary labor-time that is required to produce an article under the normal conditions of production and with the average degree of skill and intensity prevalent at the time."

Value, then, is determined by cost of production as measured in labor-time.

Such, in brief, is the celebrated labor-cost theory of value, one of the foundation stones of the Marxian system. Orthodox socialists are deeply concerned to prove it true, for if it can be shown that all values are created by labor alone, it must surely follow that all should belong to the hand and brain that created them.

At first glance the labor-cost theory has the appearance of a self-evident proposition; but the more one considers it, the more unsatisfactory and one-sided it seems to be. However sufficient it may be to explain the value of factory products, it certainly does not account for the value of land, particularly of unimproved city lots. Such land can be exchanged for cotton, wheat, hats, silver, or gold, and must therefore have some property in common with them all, which is the cause and measure of its value. But it cannot be labor-cost, for land is a product of nature. True, land would have no value if people did not live in the neighborhood and apply labor to other pieces of land; but, in so far as the particular land in question is concerned, no labor-time has been applied to it, and society, which gives it a value, stands to it in the relation of consumer rather than that of producer. Marx himself is conscious of difficulties such as these, and tries to evade them by saying

that land is not a commodity, and by the still more absurd statement that "an object may have a price without having value; for instance, the price of uncultivated land, which is without value because no human labor is incorporated in it."

The Marxian theory is equally incompetent to account for the value of labor-time itself, which must be regarded as a commodity, in so far as it can be bought and sold, and stands with wheat, silver, and all other commodities in the infinite series of exchange relations. The cost of production of the laborer himself, as measured, let us say, by the time spent on his education, is a minor factor in the determination of the wages which he will receive. Native ability, the power and the will to serve mankind, is the chief factor in the determination of wages, particularly in the case of men of talent and genius, whose rewards are generally out of all proportion to the cost of their bringing-up. Marx tries to evade this difficulty also by saying, "Labor is the substance, the immanent measure of value, but has itself no value."

The socialist theory of value fairly collapses when it comes to explain the value of "intangible things, such as conscience and honor," which are frequently bought and sold, as when a citizen sells his vote, or an alderman barters for gold that intangible thing which he calls his conscience.

Clearly, a man's honor, his influence, his good name, have exchangeable value, but Marx asserts that such things "have a price without having a value, the price, in that case, being imaginary, like certain quantities in mathematics." Doubtless a politician's conscience may be imaginary, but he is not often known to sell it for imaginary gold. The price which he receives is a real price, and intangible things have a value in exchange, not because it costs labor-time to produce them, but because they are useful to the person who is willing to pay the price.

When we come to commodities in the narrow, Marxian sense of that word, we find innumerable exceptions to the supposed law that "commodities in which equal quantities of labor are embodied, or which can be produced in the same time, have the same value." Old coins, stamps, manuscripts, autographs, birds' eggs, fossils, and the thousand and one objects dear to the heart of collectors, are surely to be classed as commodities, although there is no discoverable relation between their market value and their cost of production as measured in labor-time. What was the labor-cost of the Sistine Madonna? What would be its cost of reproduction? What is the labor-cost of a rare stamp or coin? How much "congealed labor" is there in the egg of that extinct bird, the Great Auk, which sold some years ago for the enormous

sum of $1200. On the other hand, how many hours of human labor did it cost to build the pyramids, how many sighs and tears and drops of blood, and what is their intrinsic value to-day?

The works of authors, artists, and inventors are commodities in the strictest sense of that word, and yet their market value has no definite relation to the labor-time spent in their production. A popular novelist may receive $50,000 from the sale of a book written in six months, while his less fortunate brother, after spending six years of unrequited toil, must publish his book at his own expense and then is not able to give it away to his long-suffering friends. He has not been able to produce a work of social necessity; therefore his labor-time is wasted, and does not determine the value of the product. Social utility, then, is the prime factor in the determination of value, and labor-cost is a matter of secondary importance.

Commodities subject to the caprice of fashion quickly lose their value when their usefulness is gone, no matter what their cost of production or of reproduction. Many persons yet living remember the close of the age of crinoline, when fashionable women suddenly ceased to surround themselves with a congeries of wire circlets, vulgarly known as hoops. Manufacturers and merchants were left with vast stocks of worthless goods, produced at great cost, but not worth their weight in scrap-

iron. Was it a mere coincidence that soon thereafter manufacturers turned their attention to the production of barbed wire for fences of another kind?

The value of gold, silver, and precious stones has little relation to their cost of production. There are mines in Colorado where gold is produced at a cost of less than $5 an ounce, and there are other glittering prospects where every ounce has cost as much as $100, as many an investor in mining stocks will sorrowfully admit.

Every farmer knows that the labor-cost theory fails to explain the value of agricultural produce. On some lands wheat may be grown at a cost of 50 cents a bushel; on poorer lands at 75 cents, $1, or $1.25, and yet the total supply, produced at various costs, may be sold on the same market at $1 a bushel. This law of varying costs applies to the production of all raw materials: grain, meat, leather, cotton, wool, sugar, lumber, iron, clay, gold, silver, and the rest, because of the fact that land of the best quality is limited in quantity. In fact, the land-cost of these commodities has as much to do with their value as their labor-cost. But neither land-cost, labor-cost, nor capital-cost can be regarded as of prime importance in determining the value of the product, which is due first of all to utility, or the power which commodities have to satisfy human wants.

Finally, the value of staple manufactured articles,

factory products, such as cotton and woolen goods, boots and shoes, refined sugar, and steel rails, is not determined chiefly by their labor-cost. In the first place, the value of the raw material of which they are composed is not so determined. In the second place, their value as finished products is not determined solely by cost, which limits supply, nor by utility, which controls demand, but by both of these factors together. Utility and cost are the two factors which determine value, and of these utility is chief.

The business man, whose profits arise from an excess of revenue over expenditure, and whose losses come from an excess of expenditure over revenue, knows well that the value of his goods depends as much upon the demand of the market as upon cost of production to himself or his competitors. What he must first of all do is to supply an article which will satisfy some human want, otherwise he will not be able to sell. A useless article has no exchange value, no matter how great its cost. The mistakes of production, responsible for innumerable failures in the business world, have left behind a vast wreckage of "materialized labor," produced at enormous cost, whose exchange value, if any, bears no relation to the expenditure of labor-time involved in its production, but a very intimate relation to its present lack of social utility.

The defenders of Marxian theory, like L. B.

Boudin, say that Marx did not assert that the mere expenditure of labor-time was sufficient to give value to the product of labor, but insisted that labor-power must be directed toward the production of a socially useful commodity. This is true. Marx did admit that commodities must have utility, else they could have no value. In one place he says: "Value exists only in articles of utility, in objects. If, therefore, an article loses its utility, it also loses its value." This is a very significant admission, quite inconsistent with the position that labor-time, and that alone, is the cause and measure of value. If the loss of utility involves the loss of value, then utility must be the cause or an essential part of the cause of value.

In another place Marx says, "A useful article has value only because human labor in the abstract has been embodied in it." That this statement is out of harmony with the facts may be seen from the illustrations given above. It would be more correct if it read as follows, "An article in which labor has been embodied has value only because it is a useful article." Not all commodities which cost labor have value, but all commodities which are useful have value, provided that they are sufficiently limited in quantity. Utility, then, is more essential to value than labor-cost, as in the case of land, which has value and utility, but no labor-cost.

In general, however, labor-cost also is essential to the creation of value, for labor-cost limits the quantity of commodities that can be produced, and useful articles must be limited in quantity, else their exchange value is nothing.

Socialists, or any other economists who lay chief stress upon cost of production as the determinant of value, are reversing the natural order of things, placing that first which should be second, and that second which by nature is first. All commodities which have value — cotton, wheat, silver, land, labor, or intangible utilities — have one common property, utility, which is the cause and the measure of their value. Most commodities have another common property — labor-cost, which aids in the determination of value by limiting supply. But labor-cost is the means, and utility is the end of the productive process, and logically, as well as practically, the end is of greater consequence than the means. It is utility that determines demand, sets in motion the wheels of production, and gives value to the land, capital, and labor which are the means to the final end and purpose of economic activity.

And so it is social service that is the test of value, and not the expenditure of a certain amount of labor-time. The measure of labor is not its duration but its efficiency, and the measure of efficiency is the utility of the product. It is not time that

counts, but what is done in that time. It is not cost that must chiefly be considered, but the ultimate goal of effort and sacrifice, the welfare of the human race.

Enlightened socialists of the present day, being obliged to abandon the Marxian theory of value, insist that it is not essential to the development of the other Marxian doctrines, especially the doctrine of surplus value. In this they are departing seriously from the teachings of their great master, who rightly held that a sound theory of value must be the foundation stone of any scientific knowledge of economic evolution. Of his own work he says, "The recent scientific discovery that the products of labor, so far as they are values, are but the material expressions of the human labor spent in their production, marks an epoch in the development of the human race."

Can the followers of Marx abandon so important a part of their master's teaching and still call themselves socialists of the orthodox school? Can they deny the premises of his argument and still assert the conclusion? Can they reject the labor-cost theory and still hold to the theory of surplus value? If so, they must be taking surplus value on faith or inferring it from other premises.

## CHAPTER III

### THE IRON LAW OF WAGES

The Reverend Thomas Robert Malthus, in the year 1798, published an attack upon the utopian Socialism of his day, entitled, "An Essay on the Principle of Population," and thus became the godfather of the notorious theory that bears his name. To be sure, he did not originate the theory, and Karl Marx contemptuously calls his work a "school-boyish superficial plagiary of De Foe, Townshend, Wallace, etc." But to how many is it given to create a new idea? Because the preacher said, "There is nothing new under the sun," was it unlawful for Chaucer to give a new version and paraphrase of his words? —

> "For out of olde feldes, as men seith,
> Cometh al this newe corn from yeer to yere
> And out of olde bookes in good feith
> Cometh al this new science that men lere."

Population, says Malthus, tends to increase in a geometrical ratio, and food, because of the law of diminishing returns, tends to increase in an arithmetical ratio. Therefore, unless the growth of population be checked in some way, poverty and misery will be the inevitable result. This is the

Malthusian theory of population, upon which is based that other celebrated theory, commonly ascribed to Ricardo, and known to economics as the iron law of wages.

The rate of wages, according to this so-called law, is determined by the cost of living of the working class, the quantity of commodities necessary to keep the laborers alive and enable them to raise families to take their places after they are dead. Wages, it is said, cannot permanently fall below this limit, for, if they do, the death rate will increase, the birth rate will decline, and the laboring class will diminish in numbers until wages rise to their natural level. Conversely, wages cannot permanently exceed the minimum of subsistence, for if they do, laborers will marry and have children, and presently the oversupply of labor will cause wages to fall, when the condition of the working class will be as bad as it was before.

It was this doleful theory, with its corollaries and consequences, which led Carlyle to call political economy "the dismal science," and it is this melancholy point of view which many socialists take when they magnify the evils of the capitalistic system, and say that "increasing misery" must follow in the wake of capitalism until the social revolution shall sweep it all away.

The great socialist agitator, Lassalle, made much of this law. He says, "The average wage

always remains reduced to the necessary subsistence which national custom demands for the continuation of life and propagation." In the Communist Manifesto Marx and Engels say, "The average price of wage-labor is the minimum wage, *i.e.* that quantum of the means of subsistence which is absolutely requisite to keep the laborer in bare existence as a laborer." In "Capital" Marx says, "The value of labor-power is determined by the sum of the means of subsistence necessary for the production of labor-power." In another place he states that the growth of capitalism necessarily involves increasing "misery, oppression, slavery, degradation, and exploitation." The Erfurt Program, issued by the German socialists in 1891, similarly declares that capitalistic development means "for the proletariat and the declining intermediate classes a growing augmentation of the insecurity of their existence, of misery, oppression, enslavement, degradation, and exploitation."

Karl Marx, it is true, ridicules the Malthusian law of population. It would be disastrous to socialistic theory to admit it. If population must increase with every improvement in economic conditions, the realization of the socialistic ideal will only result in greater population and more hopeless misery. Marx, therefore, rejects the theory of population but accepts the iron law of

wages. He denies the cause while affirming the effect. The effect, then, must be due to some other cause.

It is not, says Marx, absolute overpopulation that depresses wages, but the very nature of capitalistic evolution, which constantly creates a relative surplus population, an industrial reserve army, the army of the unemployed, who are willing to work for any wage that will save them from starvation. This variation of the iron law is even more pessimistic than the views of Malthus and Ricardo. Not only may there be a population too great for the resources of a country, but there must always be an active army of workers who receive starvation wages, and a reserve army of the unemployed, ever ready to supplant the wretched beings who are constantly displaced by labor-saving machinery and other wicked devices of exploiting capitalists.

It is refreshing to turn from gloomy theories like these to the consolation of statistics, compiled, socialists say, by parasitic professors of political economy, but for all that more reliable than the pipe-dreams of German pessimists.

T. S. Adams, in a recent chapter on "The Material Progress of Wage-earners," shows that in Massachusetts, in the year 1672, carpenters received 33 cents a day, tailors 27 cents, and common laborers 27 cents, without board, while wheat

was selling at 81 cents a bushel, corn at 48 cents, and oats at 25 cents, prices very close to those that prevail at the present time, when money wages are from five to ten times as great as they were 200 years ago. Professor Adams also shows that the rise in "real" wages, or wages measured in purchasing power, has gone on, despite occasional interruptions, until the present time. For every $70 worth of goods that the worker received in 1866 he received $121 in 1902, an increase of 73 per cent. in 36 years. The figures given by Carroll D. Wright, Edward Atkinson, and other American statisticians are equally encouraging.

The eminent British statistician, Sir Robert Giffen, in 1883 showed that the money wages of British workmen had increased in 50 years "in most cases from 50 to 100 per cent.," while the cost of living had decreased, except in regard to meat and rent. Similar figures are given by A. L. Bowley to show that, in the 30 years ending 1891, wages in England increased from 15 to 76 per cent., being an average increase of 40 per cent. In the 35 years ending 1895, according to Mulhall, the population of the United Kingdom increased from 29,000,000 to 39,000,000, or 34 per cent., while in the same time the total wealth increased from $7,200,000,000 to $11,800,000,000, or 64 per cent., and the per capita, or

average wealth, increased from £249 to £300, or 20 per cent. If, then, average wages have increased 40 per cent., while average wealth has increased only 20 per cent., the improvement of the working classes in Great Britain is more than keeping pace with the increase in general wealth.

Similar figures could be given for France, Germany, and all the other capitalistic countries of Europe, and it would be clear that the development of capitalism has involved not only an increase in the laboring population, but a much greater increase in real wages. We must, therefore, conclude that the iron law of wages is a fallacy, and the law of increasing misery a hideous, but unreal, nightmare. Only in declining countries, and in non-capitalistic countries, like China and India, are wages kept down to the bare cost of living. In all progressive capitalistic countries — and it is hard to give an example of a capitalistic country that is not progressive — wages have risen, and are rising, and the remedy for low wages is not less of capitalism, but more of it; just as the sufferer from snake bite is sometimes advised to eat a piece of the snake that bit him.

Enlightened socialists, while disposed to scoff at bourgeois statistics, are obliged to admit that they are not wholly erroneous, and, in view of facts which they cannot deny, are considerably modifying the extreme doctrines of orthodox

Socialism. "Increasing misery," said Kautsky, at the Lübeck Congress of 1901, "is to be understood only as a tendency, and not as an unconditional truth." In reply to him, Dr. David, a progressive socialist, said, "If one alters one's opinions, one should have the courage and the strength to say, 'We made a mistake.'" Bebel, in reply to both Kautsky and David, asserted that Marx never taught the theory of increasing misery, but only the doctrine that "the gap between the working class and the rich class to-day is greater than ever before," and that for this reason the class struggle is ever growing more intense and more bitter.

But why should socialists desire to uphold the law of increasing misery? If the working class are daily and yearly sinking deeper into the slough of misery and degradation, what hope can there be of their ever getting out of it? It is freemen, and not slaves, who most desire the blessings of liberty. The British colonists in America rebelled, not because they had less liberty and fewer privileges than were granted to French or Spanish colonists, but because they had more of them. They loved liberty and the pursuit of happiness because they knew by experience how valuable they were. The working class of civilized countries, like progressive people everywhere, are never satisfied. The more they have, the more they want, and some

day they may want social revolution and fight to bring it about. Kautsky says, "We all agree that the emancipation of the proletariat is to be expected, not from its increasing decadence, but from its growing strength."

But if the improvement of the working class is encouraging to the socialist, it is even more encouraging to those who hope that industrial evolution will not bring about the destruction of capitalism and individual enterprise, but the control and improvement of them. If such progress has been made, in spite of the monopolistic tendencies of unregulated capitalism, may one not expect that control of monopolies and improvement in systems of taxation, together with the growing power of organized labor, will secure to the laborer higher wages, to the consumer more reasonable prices, and to society in general a more equitable distribution of wealth? At any rate, the outlook is far from dismal. Progress in the past gives reason to hope for the future, and so long as capitalism can hold out a reasonable hope to the laboring class, one may be sure that the long-suffering public will hesitate to say, "Cut it down, why cumbereth it the ground?"

## CHAPTER IV

### SURPLUS VALUE

The socialist hates capitalism with a perfect hatred. To him it is a system of robbery, by which the capitalist, who does nothing, takes from the laborer, who does everything, most of the fruits of his labor. All value is created by labor, but the laborer receives in wages barely enough to keep him alive, while the "vampire capitalist" fattens upon the ever increasing mass of surplus value.

A simple illustration will explain the apparently abstruse theory of surplus value. Here is a poor farmer who, by hard work upon unfruitful soil, has produced a thousand bushels of wheat. Now comes a grain dealer and buys the crop at 75 cents a bushel, which he presently sells in a neighboring city for 80 cents a bushel, thus making a profit of $50 upon the transaction. At this point Karl Marx discovers robbery and exploitation. He says, "This increment or excess over the original value I call surplus value," and he quotes with approval the words of Franklin: "War is robbery; commerce is generally cheating."

But it is just here that the man of common sense

must differ with Franklin and Karl Marx, and assert that, whatever may be thought of war, commerce, under competitive conditions, is generally fair exchange and no robbery. The farmer evidently received the value of his grain, or he would have held it for a higher price. The miller in the city paid no more than the wheat was worth, or he would have bought it of another dealer or directly from the farmer himself. There are, then, two values in the case, the value in the country and the value in the city, and the profit of $50 represents the value of the dealer's services to farmer and miller. Without him the price of wheat would have been higher in the city and lower in the country. Instead of fearing grain dealers, the farmers are glad to see them, and instead of wishing to destroy such robbers and exploiters, the farmers rejoice to see their tribe increase.

As to the theory of surplus value, it is clear that Marx has placed himself upon the horns of a most ridiculous dilemma, which may be stated thus: Either commodities exchange at their value, or they do not. If they do, there is no surplus value. If they do not, the labor-cost theory gives no explanation of value in exchange and must be given up as an unscientific and useless part of socialistic doctrine. Therefore the advanced socialists, preferring the lesser of the two evil alternatives, have rejected the labor-cost theory of value, while holding fast

to the theory of surplus value, and firmly saying to every seeker after economic truth, "Believe in exploitation and you are a socialist."

Believers in exploitation, though lacking in scientific demonstration, find support for their views in statistics, which show that the wealth of the world is not equally distributed, and they are quick to draw the inference that a distribution so unequal must be inequitable as well. Charles B. Spahr estimates that one per cent. of the families of the United States own one half of the wealth, and that the same one per cent. receive one fourth of all incomes; while the remaining 99 per cent. own but one half of the wealth and receive only three fourths of the national income. The wealthy minority includes such people as the Astors, Goulds, Vanderbilts, Rockefellers, and Carnegies, whose services to society, however great, seem greatly overpaid, when compared with those of the rank and file of the industrial army.

The statistics of manufacturing establishments, in the report of the United States Census for 1900, show that a large part of the product of industry goes to the capitalist in the form of interest and profits. According to these figures, which probably exaggerate rather than minimize the amount of profit, there were, in round numbers, 500,000 manufacturing establishments in the United States,

using $10,000,000,000 of capital and employing 5,000,000 wage-earners. The value of the yearly product was $13,000,000,000, while $7,400,000,000 was paid for materials, $1,000,000,000 for miscellaneous expenses, and $2,700,000,000 for labor, leaving $2,000,000,000 as the share of the capitalist, for the payment of dividends and the maintenance of reserves.

The statistics of railways in the United States, as given in the Report of the Interstate Commerce Commission for 1904, also shows that capitalists receive a large share in the product of industry, though not a large percentage upon the capital invested. The capitalization of the railways of the United States in that year was $13,213,124,679, and 1,296,121 employees received wages amounting to $817,598,810, while the net earnings, less taxes, amounted to $623,509,113, being 4.72 per cent. upon the capital invested, or 9.44 per cent., if we suppose the roads to be capitalized at double their actual cost.

The amount of "surplus value," then, is very large, so that, taking rent into consideration, one might not be far wrong in saying that for every dollar paid to the wage-earner, another dollar goes to the capitalist in the form of rent, interest, and profits. The figures commonly given by socialists are far in excess of this rough estimate, but the statistics compiled by Spahr are much more con-

servative, showing that the aggregate income from labor in the United States, about the year 1890, was $6,460,000,000, while the aggregate income from capital was only $4,340,000,000, or about 43 per cent. of the national income. Estimates like these take no account of the losses of capital, which are very large, and which should be deducted from the aggregate income of capital, in order to show the net income of capital, the true "surplus value."

But, whether large or small, surplus value, socialists assert, is created by labor alone, and stolen from labor by the iniquitous capitalistic system. They admit that labor can do nothing without capital, but vehemently contend that capital itself is the product of past labor, and, in justice, should belong to the laborers of the present day. They do not object to capital, as such, but to the private ownership of capital, by which the toil of millions of workers serves to enrich a few idle robbers and insatiable parasites. "Capital," says Marx, "is dead labor, that, vampirelike, lives by sucking living labor."

Now there is in this argument a subtle and insidious fallacy, turning upon the use of the words "labor" and "laborers," "capital" and "capitalists," as though all capital were owned by capitalists and all labor were done by laborers of the propertyless class. It is not true that all the

laborers of the United States are utter proletarians owning no capital. Thousands, and even millions, of them have modest savings invested in some productive way: a house, a piece of land, a small mortgage, an insurance policy, a few dollars in the bank, a little store laid up for a rainy day. The misery of their condition is due to the fact that they have so little capital, and are so much dependent upon a single source of income — the labor of their hands.

So there are many laborers who are capitalists, though in a small way, and it is equally true that there are many capitalists who are truly workers and producers of wealth. Capitalists may be divided into two classes: those who are actively engaged in business, and those who have retired from active business, or have never entered into it. The latter class is composed of administrators of estates and benevolent endowments, insurance and trust companies, retired business men and men of leisure, widows, clergymen, teachers, physicians, laborers; and, in general, people of the middle class, who, owning more or less capital, and unable or unwilling to manage it in any profitable way, put it into safe investments, at low rates of interest.

The former class, on the other hand, is made up of active capitalists, young men and men in the prime of life, using their own capital and that of

others in the management and promotion of enterprises old and new, taking all the risks of business, guaranteeing interest to the bondholder and wages to the laborer, bearing the losses that occur and taking to themselves the lion's share of the profits. Farmers are men of this class; so also are merchants and manufacturers, bankers and brokers, and the small but influential class of people who have a controlling interest in the stocks of railways, telegraph companies, and other great business corporations, and are the head and front of progress in the industrial world.

How can it be said that active capitalists do not work? The work that they do is both difficult and important, requiring ceaseless activity and great strength of body and mind, and promoting the welfare of society in a very high degree. Under competitive conditions, neither the laborer nor the consumer is exploited by them, for wages rise and prices fall, while new fields of labor are opened up, new and varied products are created, and under such leadership the country is able to maintain a large and constantly increasing population. Great may be their rewards, but great also are the services which they perform. Every community can point to a few men of this kind, to whom, in large measure, its prosperity is due; and when one contemplates the vast and complicated mechanism of modern industry, one finds it hard to see how

it could be operated by society itself, without the aid of private enterprise, and the motive power of private profit.

So it must be admitted that active capitalists are not parasites, that they perform an important economic function, and that the profits which they receive, when competition prevails, are to a large extent the product of their own industry and not a surplus value stolen from the proletariat. But what must one think of the idle capitalists, landowners, and bondholders, who do no work at all, but merely lend their property to active capitalists, who use it productively and return to the owners a part of the product in the form of rent or interest. Surely here is a class of exploiters and parasites, useless and even injurious to society, reaping where they have not sown and gathering where they have not strawed.

Plausible as this line of reasoning is, it overlooks the fact that the taking of interest is inseparably connected with the institution of private property. The use of property for a given time is something which has a value in exchange. Active capitalists are glad to get it, expecting to use it so as to earn the stipulated interest and an indefinite amount of profit besides. Laborers are not exploited, for the active use of capital insures to them constant and remunerative employment. There is, in fact, no reason why the owners of

property should lend their capital without interest that is not at the same time a reason why they should give it all away without any equivalent or consideration.

If, then, the taking of interest is robbery, the whole institution of private property is robbery, and that is exactly what the socialists say. "Property is theft," says Proudhon; and if he is right, then the taking of interest is theft also; but if he is wrong, and the institution of private property is socially beneficial, then he who lends his money at interest is no more a thief than he who demands $100 for an acre of land or $1 for a bushel of wheat.

While defending the institution of private property, and asserting that the essential feature of business activity is not exploitation but fair exchange of material things and personal services, it would be absurd to say that there are no abuses connected with the present system, no exploitation, robbery, nor unfairness of any kind.

Where there are so many and such loud complaints, there must surely be grievances of considerable magnitude. Laborers complain of low wages and long hours and think that they are cheated at every turn. Consumers of coal, kerosene, sugar, beef, and all the other necessaries of life cry out against monopoly prices for inferior goods, and cannot be convinced that the vast fortunes of the present

day have been accumulated by honest toil or faithful service toward God or man. Manufacturers and merchants rebel against the power of railroads that eat up their profits by excessive charges, or hand them over to their rivals by discriminating rates. Investors complain of unscrupulous promoters, who, from the milk of promising enterprises, skim off the cream of the profits and add barrelfuls of water besides. Professors of political economy, usually content to describe economic conditions with scientific precision and philosophic calm, are obliged to admit that all is not well in the body economic, and that in the midst of free competition, so called, there are many opportunities for the robber-barons of industry to levy toll upon the weak and blackmail upon the strong. Capitalists themselves, conscious of possessing wealth which they have not earned, striving, like Zacchæus of old, to perform an act of restitution and justice, are met with scorn and ingratitude on every side. Clergymen, even, usually so charitable toward all mankind, have serious scruples about accepting tainted gold for religious purposes, saying, in the vehement words of Isaiah, "I hate robbery for burnt offering!"

So many and so great are the evils connected with capitalism that if one looks only at the dark side of it, as socialists are apt to do, one finds it very dark, with hardly a ray of light, hardly a gleam

of brightness giving promise of better things. If, on the other hand, one looks on the bright side of capitalism, one finds that it is very bright indeed. It has been the chief cause of the vast improvement in social conditions that has made the nineteenth century notable in the history of mankind. It has improved land and developed mines. It has built roads, bridges, and canals. It has united the countries of the world by steamships, railroads, and telegraph lines. It has built great cities wherein dwell millions of people in a degree of comfort unknown to the aristocrats of former times. It has created schools, colleges, libraries, hospitals, and a thousand agencies for the betterment of social conditions. It has increased the wages of labor and the average duration of human life. It has improved morality, abolished famine and pestilence, and mitigated the horrors of war. It has elevated the working class to the level of the middle class of two hundred years ago, and the middle class it has raised to the level of the nobles and princes of those days. It has created democracy, and the inestimable privilege of personal liberty. The countries where capitalism has most prevailed are the countries where the laboring man receives the highest wages and maintains the highest standard of living. The countries where capitalism has done least, as China, India, and Russia, are the countries where

wages are lowest, where the laboring man is ever on the verge of starvation, and where he is most exploited by the merchant, the money lender, and the government official.

Why, then, should one underestimate the vitality of capitalism, and think that, like an aged tree, it is decaying at the root and rotten at the heart? Is it not still young and flourishing, and, in spite of some decaying branches, which the pruning knife can remove, is it not sound at the root and solid at the core? The answer to this question is the assent to Socialism or the denial of it.

The capitalistic system, with all its faults, is well suited to the present state of human nature. There is in man, as in the universe, a principle of attraction and a principle of repulsion, a centripetal force, and a force centrifugal, and it is by means of these two forces that the groups of which society is composed are drawn together and thrust apart. Man is a social animal, but he is also antisocial in his disposition, and, so long as this is the case, it will be impossible for the various and conflicting elements of which society is composed to combine into a single, harmonious, coöperative group. But if such a group were ever formed, the individual molecules of the combination, by virtue of their individual interests and antipathies, would split it up into certain smaller parts, large enough

to secure the advantages of harmony and peace, and small enough to secure the counter benefits of rivalry and war.

But we need have little fear that the New Jerusalem of Socialism will descend upon us in a day, or that a cataclysmal revolution will in a moment sweep away the accumulated experience of thousands of years. Recent socialists are inclined to discredit the idea of such a revolution, and to uphold the opinion that a long series of changes will bring about the gradual replacement of capitalism and the growth of a new system out of the body of the old.

There is little difference between this view and that of the idealistic economist, who believes that capitalism, though by no means perfect, is measurably perfectible, and that improvements and adjustments will step by step be made which will to a large extent do away with the exploitation that exists, remove many antagonisms and causes of friction, and, as far as may be possible to finite intelligence, realize the ideal of justice between man and man.

# CHAPTER V

## MACHINERY

The use of machinery, and of various methods of production connected with it, is the most characteristic feature of modern industry. Countries like China, where nearly everything is done by hand, without the aid of complicated and expensive machinery, are still, in so far as industry is concerned, in the ancient, or mediæval, period of their history. The change from ancient to modern methods, commonly called the Industrial Revolution, which began in England toward the end of the eighteenth century, and presently spread to other western countries, was brought about by the invention of such machines as the spinning-jenny, the power loom, the cotton gin and the steam engine. Since that time revolutionary changes have been made in almost every field of industry, by the invention of the steamship, the locomotive engine, the telegraph, the telephone, stenography, typewriting and a host of other labor-saving machines and methods, so that wherever possible machines are used instead of men, and one is inclined to think that the time is coming when human

labor will be no longer needed and machine-owning capitalists alone will possess the earth.

Orthodox socialists profess to be unable to see any benefit to the laboring class arising from the use of machinery, so long as it remains in private hands. Their views are substantially the same as those of Karl Marx, as expounded in "Capital," and may be stated as follows: —

1. Machinery increases the product of industry, but the surplus goes to the employer in the form of larger profits and not to the laborer in the form of higher wages. Wages are determined by the cost of living of the race of laborers and not by the productivity of their labor; therefore, to increase the product of industry is to increase exploitation and surplus value without improving the condition of the laboring man. In the words of Marx, "The immediate result of machinery is to augment surplus value and the mass of products in which surplus value is embodied."

Again, wages are paid out of "variable capital," consisting of food, clothing, and the other necessaries of life. Now, to increase machinery is to multiply "constant capital," which cannot be used in payment of wages, while variable capital relatively declines. If, then, the fund out of which wages are paid relatively declines, while the laboring population goes on increasing, it is clear that wages must fall, and the laboring class must be

plunged into the bottomless abyss of increasing misery.

2. Machinery constantly displaces labor, creating a vast number of unemployed workers, the "industrial reserve army," whose eager struggle for work depresses the wages of those who remain employed, thus increasing the misery and degradation of the working class as a whole, and recruiting the ranks of paupers and criminals. With regard to the industrial revolution, Marx says, "History discloses no tragedy more horrible than the gradual extinction of the hand-loom weavers." He thinks, too, that capitalists desire to perpetuate this fearful condition of affairs, in order that they may have abundance of cheap labor. He says again, "The whole form of the movement of modern industry depends upon the constant transformation of a part of the laboring population into unemployed, or half-employed, hands."

3. "Machinery," says Marx, "is the surest means of lengthening the working day," since it is unproductive while idle, and the capitalist, therefore, desires to keep it going all the time. Machinery also increases the intensity of labor and furthers the introduction of the system of piece wages, which, says Marx, "is the most fruitful source of reductions in wages, and capitalistic cheating."

4. Machinery is the chief cause of the speciali-

zation of labor, which has a narrowing influence upon the laborer, both physically and mentally, and makes it difficult for him to find employment when he is out of work.

5. Machinery makes possible the employment of women and children, thus displacing men and reducing the wages of the family as a whole to the level of those formerly earned by the man alone.

6. Machinery increases the number of unproductive laborers, as domestic servants, clergymen, lawyers, teachers, actors, and musicians, the "modern domestic slaves," who render personal services to the rich, but do little or nothing for the public good.

7. Machinery creates a mass of products for which there is no demand, because the working class, with their low wages, are unable to buy them; and this is the chief cause of the periodical crises, so characteristic of modern capitalism.

8. These evils belong not to the use of machinery in itself, but to the private ownership of it, and will disappear when machinery and all other capital are owned and operated by the working class.

Such are some of the arguments urged by socialists against the "capitalistic employment of machinery." In every case there is a certain amount of truth in their contention, enough to give the entire argument an appearance of truth without the substance of it. On the other side it can

be shown that labor-saving machinery, while it has enriched the capitalist class, has brought great and permanent benefits to the laboring class, enabling them to maintain a standard of comfort possible only to those who live in highly developed capitalistic countries. A brief examination will show the essential errors of the socialist's position.

1. When socialists admit that machinery increases the product of industry, they practically admit that the capitalist cannot keep the surplus products thus acquired. The product per laborer is greatly increased, and the value of the laborer to his employer is correspondingly increased. After the cotton gin was invented, it was possible to increase the output of cotton in the Southern States, and the consequent increased demand for labor resulted in a remarkable rise in the price of slaves and a similar rise in the wages of free labor.

Except where machinery is monopolized, competition between capitalists causes prices to fall and wages to rise, so that a large part of the increased product goes to the laborers in the form of higher wages and reduced cost of living. To say that the laboring population will soon multiply and thus bring the rate of wages down to the level of the bare cost of living, is to appeal to the Malthusian doctrine, which Marx so justly ridicules, but at the same time tacitly adopts. As a matter

of fact, in every capitalistic country wealth has increased more rapidly than population, and money wages have risen, while the cost of living has been considerably reduced.

The distinction that Marx draws between constant and variable capital is a very important one, but leads to conclusions directly opposite to those drawn by him. Machinery, buildings, and other constant capital cannot increase without a corresponding increase in cotton and cotton goods, iron ore and steel products, wheat, flour and bread, cattle and beef, timber and lumber, and all the forms of variable capital or goods available as food, clothing, and shelter for the laboring class. Constant capital exists for the sake of producing variable capital; it is a means to that end. Moreover, it is in the production of staple articles, such as the poor consume, that machinery is most used, and not in the production of luxuries for the rich, which are generally made by hand. Therefore, the introduction of improved machinery throughout the world results in an increased supply of variable capital. If, now, variable capital increases more rapidly than the laboring population, it follows that the value of labor must rise, while the value of commodities relatively falls, and that, when labor is exchanged for commodities, wages, as measured in commodities, must rise.

Marx himself practically admits this when he

says, "In proportion as capitalistic production is developed in a country, in the same proportion does the natural intensity and productivity of labor there rise above the international level; therefore, nominal wages will be higher, but not necessarily real wages." Now it is clear that real wages must also rise, since the price of commodities has gone down. It is not hard to show that this is what has taken place in England, Germany, the United States, and all progressive capitalistic countries, while stagnation and poverty characterize unprogressive countries, like China and Russia, in so far as they adhere to production by hand, and other oldfashioned and unproductive methods.

This is so well understood in England at the present time that, as the Webbs say, "it is not the individual capitalist, but the Trade Union, which most strenuously insists on having the very latest improvements in machinery." Similarly, Levasseur says, "Machinery increases the demand for labor by stimulating and increasing production; the increased demand may occur in the industry in which the machinery is introduced, or it may arise from the creation of new industries, but nowhere is there so much money paid in wages as where machinery is common."

2. Labor-saving machinery is labor-displacing, but only for a time. As a rule, when improved

machinery is introduced in a given industry, such an expansion of the business results that presently more workers are employed than there were before. Besides, new industries are created, which give employment to many of those originally displaced, as well as to the young workers yearly maturing from the constantly increasing population. Thus in the year 1820 there were about 111,000 operatives employed in cotton-spinning mills in England, and in the year 1880 there were 240,000 operatives thus employed. In 1880 there were in the United States 3,800,000 persons engaged in manufacturing and mechanical pursuits, and in the year 1900 there were 7,100,000 persons so engaged. In 1880 there were 72,800 printers, lithographers, and pressmen in the United States, and in 1900 they numbered 155,200, in spite of the introduction of the linotype and other labor-saving machines. It is often said that trusts, by their improved methods, have displaced thousands of commercial travelers, and yet the United States Census shows that there were 58,700 commercial travelers in 1890, and 93,000 in 1900, an increase of 60 per cent., while the working population of the country increased by only 28 per cent.

By statistics such as these it can be shown that improvements in machinery and methods, instead of creating a vast army of unemployed or half-employed workers, really make an increased de-

mand for workers in practically all the old occupations, while a further demand is created by the new industries that spring up on every side.

No doubt there has been great hardship connected with the destruction of handicrafts by machine methods, but such revolutionary changes are neither so frequent nor so important as they were at the beginning of the nineteenth century. Besides, even then much of the misery that the hand workers of England suffered might have been prevented had they known how to adapt themselves to the new conditions, as organized workers are generally able to do. While in certain districts hand-loom weavers were starving, in other places there was a growing demand for workers in the new cotton and woolen factories, particularly in the north and west of England. The Webbs go so far as to say: "The really cruel stages of all this suffering are needless. We have failed to discover a single instance of supersession by machinery in which it would not have been possible for the superseded handicraft at least to have died a painless death. There are industries which have been changed by machinery as thoroughly as weaving, but in which, owing to the enforcement of a different policy by the Trade Unions concerned, the hand-workers have not only survived, but are to-day busier, more highly paid, and more skillful, than ever they were before."

Nor can it be shown that employment is more irregular than formerly. During the Middle Ages all classes of society were dependent upon the crops, which depended upon the weather, than which nothing could be more variable and irregular. Famines were frequent, so that not only was there often stagnation of business and scarcity of employment, but myriads of people died of starvation and pestilence. In these days of improved transportation, when the whole world produces for a world market, famines are almost unknown, except in non-capitalistic countries, like Russia, China, and India, and most of the workers in the industrial army are employed most of the time, while practically all of the unemployed, the unemployable excepted, are unemployed only a small part of the time.

The fifteenth century has been called by Rogers "the golden age of the English laborer," but Cunningham, a more reliable authority, says: "In so far as regularity of employment and short hours are a test of the well-being of the workman, the fifteenth-century day-laborer was badly off, and the masses of the population were not only poor, but also miserable."

Similar conditions existed at the beginning of the seventeenth century. In the year 1615 a census was taken of the town of Sheffield, showing that, out of a population of 2207, 725 people were not

able to live without the charity of their neighbors, while 60 per cent. of the remainder were so poor that "a fortnight's sickness would drive them to beggary." In the year 1688 it was calculated by Gregory King that out of England's total population of 5,500,000, about a fourth were more or less dependent upon parochial relief. Speaking of the condition of affairs in England on the eve of the Industrial Revolution, Cunningham says: "There seems to be abundant evidence that the artisan of a hundred years ago was less regular in his work, and less steady in character, than the skilled artisan of the present day. The first introduction of machinery was accompanied by many evils; but in so far as it tended toward regular habits of daily work it has been eventually beneficial."

As Marx himself says, capitalists desire to have their capital constantly employed. Capital seeks labor, just as labor seeks capital, and the fact that they do not always find each other must be due to imperfect organization of industry and imperfect foresight with regard to future industrial conditions. As production becomes more scientific and organization more perfect, there will doubtless be less idle capital and fewer idle workers, and improvements in machinery and methods will be introduced without the losses and distress that so often accompany them at the present time.

3. What Marx says about hours of labor is

quite contrary to fact. The effect of machinery is to reduce the hours of labor, and there is a growing tendency among employers to concede to the demand of the trade unions for the ideal eight-hour day. It is frequently unprofitable to run machinery night and day, but in any case it is usually better to work shifts than to prolong hours. A man, week in and week out, can do more in ten hours than he can in twelve or fifteen, and in many industries, as Rae has shown, he can do as much in eight hours as he can in ten.

Short hours and the piece-work system doubtless secure greater intensity of work, which is a good thing for both employer and worker, since it increases the per capita product of industry and gives to the efficient workman the reward due to his superior diligence and skill. In fact, the piece-work system is the method by which the workers obtain a large part of the surplus gain resulting from the use of improved machinery. To quote again Sydney and Beatrice Webb, themselves ardent and enlightened socialists, "The unions would never dream of suggesting the substitution of fixed-time rates of wages, and they agree, without demur, to a Piecework List which, definitely fixed in advance, completely secures to the workmen these progressively increasing earnings."

4. The narrowing influence of machinery has been greatly exaggerated. A higher degree of

intelligence is required to operate complicated machinery than to work with simple tools. The locomotive engineer is a broader man than the cab driver, and the farmer who runs a mowing machine is more intelligent than his predecessor who cut hay with a scythe. The specialist may have a small task to perform, but he is usually a good workman in several other lines, and often has a general mechanical training as well. Besides, the life of a worker in a great factory is in several respects broader than that of the old-fashioned artisan in his little shop. Also, the modern workman has the broadening influence of the public school, the newspaper, the library, the trade union, the lodge, the institutional church, and the athletic club, so that both mentally and physically he is, or may be, the superior of the handicraftsman of former times.

It is frequently difficult for a specialist to find work in his own particular line; but modern industry is conducted on so large a scale that there is usually urgent demand for skilled specialists of every kind. Then, too, the specialist can generally find work in fields similar to his own, while waiting for the position exactly suited to his ability and training.

5. Women and children, while they may displace men in certain fields of work, can never displace them from the industrial army so long as

most occupations demand strength and endurance and other qualities which men possess in a pre-eminent degree. Machinery has increased the demand for men, while at the same time making places for women, with the result that the total product of industry has been greatly increased. Wages are paid out of the product of industry. Women, therefore, earn what they receive, and the fact that they are producers of wealth does not diminish the share received by men.

In the year 1880 the number of females engaged in gainful occupations of the United States was 2,647,157, while in 1900 they numbered 5,319,912. If these women could not earn their own living, they would be a burden upon their male relatives, or upon society at large, and the nation's income would be reduced by the amount of the commodities produced and the services rendered by them. That men have not been displaced by the increased employment of women is shown by the fact that in 1900 there were 23,754,205 males engaged in gainful occupations as against 14,744,942 in the year 1880. That the wages of men have not been reduced by the employment of women is shown by the considerable rise in real wages that took place during the same period of twenty years.

The theory that the income of a family is no greater when several members work than when

the burden of their support falls on the man alone is a modification of the Malthusian doctrine, and quite contrary to experience and to common sense, except possibly in certain restricted localities, or in certain Asiatic countries, where every amelioration of the laborer's lot results only in early marriages and increased population.

6. Domestic servants are relatively declining in numbers, while their wages are rapidly rising, as every employer of that kind of labor knows to his cost. From 1890 to 1900 the number of "servants and waiters" in the United States increased by only 7 per cent., while the working population in the same time increased by 28 per cent. As for clergymen, teachers, artists, and other people who render professional and personal services, they are productive as much as any laborers, even though they may not directly create material wealth. Also, they serve the laboring class more and more, for the increased productivity of modern industry has made it possible for the poorest to enjoy luxuries unknown to the working men of previous generations.

7. The socialistic theory that industrial crises are caused chiefly by the production of commodities which the laboring class are unable to buy, has been often refuted and will be discussed again in the next chapter.

6. It would be absurd to deny that there are

evils connected with the private ownership of capital, but it is equally absurd to say that these evils can neither be removed nor mitigated without the overthrow of capitalism and the establishment of industrial collectivism. Socialists habitually magnify the well-being of the laborers of former times, and the misery of the workers of to-day; whereas the laboring class of the present time are more prosperous, more intelligent, and more independent than the laborers of any former time. Their future under capitalism is not dark, but bright with the hope of better things. While this is the case those who believe in the efficiency of private enterprise, and perceive the inefficiency of public undertakings of almost every kind, may well fear to advocate the socialization of industry, and earnestly advise that we "rather bear those ills we have, than fly to others that we know not of."

## CHAPTER VI

### INDUSTRIAL CRISES

Socialists are not agreed concerning the causes of industrial crises, but the most popular theory among them is that of Sismondi and Rodbertus, which states that crises are due to the increasing productiveness of modern industry, combined with a relative decline in the purchasing power of the working class. Machinery and modern industrial methods have caused a vast increase in the production of commodities which the mass of the people cannot buy, because their wages are kept down to the level of a bare subsistence. In the words of Rodbertus, "The productiveness of labor has increased and continues to increase, while the quantitative sum of wages has at best not increased in like proportion, has perhaps remained stationary or even fallen." Goods are produced for which there is no demand, and presently there is a glut or surplus, culminating about once in ten years in a crisis or panic, followed by a period of depression, then by a period of prosperity leading up to another crisis more disastrous than the former, and thus decade after decade

capitalism suffers from periodic attacks of an incurable disease.

Rodbertus held that crises could be abolished by giving to the laboring man the full product of his industry, so that consumption might keep pace with production, demand with supply, and said that unless society should wake up to the necessity of securing this ideal distribution of wealth "history will indeed have to swing the lash of revolution over her again."

Marxian socialists hold that capitalism can never cure its own diseases and that crises will increase in frequency and violence until the final collapse of the decaying system of which they form a part. Engels says: "The mode of production rises in rebelling against the form of exchange. The bourgeoisie are convicted of incapacity further to manage their own productive forces. The proletariat seizes political power and turns the means of production into State property."

Engels, however, did not accept the theory of Rodbertus, and frequently attacked it, although he appears to consider overproduction as the chief cause of industrial crises. "The extension of the markets," he says, "cannot keep pace with the extension of production." He also lays undue stress upon the ten-year period which is not an essential feature of the theory.

The position of Marx in this regard is somewhat

doubtful. In one place he says, "The fundamental cause of all industrial crises is the poverty of the masses and their inability to consume the ever increasing mass of the products of capitalism." In another, and later passage he says, "It is pure tautology to say that crises arise out of the lack of purchasing power of the consumers."

More recently socialists have called attention to foreign commerce as making an outlet for the surplus products of capitalistic countries. In this way, they say, the downfall of capitalism will be postponed until the markets of Russia, South America, Africa, China, and other backward countries are as fully exploited as those of western Europe and the United States. Then there will be for capitalism no more worlds to conquer, no other outlet for surplus products, which will quickly accumulate until there shall be in every line an enormous overproduction, a vast supply of unsalable goods, when the most fearful crisis in history will occur, involving the utter collapse of capitalism, and clearing the way for the establishment of international collectivism.

In criticism of this theory it may be said that while overproduction in many lines, though not in all, is a characteristic feature of industrial crises, the cause of it is not the poverty of the laboring class, but a series of mistakes in production, in the adjustment of supply to demand, which

would occur as frequently as now if the wealth of the world were equally distributed among all its inhabitants.

Moreover, Rodbertus is quite mistaken when he says, "The laboring classes are excluded from all increase of the national wealth, and, in opposition to the progressively growing income of the other classes, at best only maintain their former income." In every progressive country the working class is not only growing in numbers, so that their total wages are increasing, but their average wages are increasing as well, and their ability to buy and consume the necessaries and luxuries of life is becoming greater year by year. The vast productive power of machinery is largely for their benefit, for, as E. D. Jones says, quoting another authority, "80 per cent. of the machine-made goods of the world are consumed by the laboring class."

But if we assume, with Rodbertus, that the productiveness of labor increases faster than the sum of wages, then, if capitalists go on producing goods for the laboring class, one of two things must happen: either the goods are not sold, in which case there is a perpetual overproduction, instead of a crisis once in ten years; or, they fall in price until the laborers, with their low money wages, are able to buy them, by which process the real wages of the laboring class are raised in direct proportion to the augmented production of consumers' goods.

But a perpetual overproduction is impossible and contrary to experience, so that the increasing production of which Rodbertus speaks causes prices to fall and real wages to rise, while the self-sacrificing capitalists content themselves with smaller profits and lower rates of interest.

Again, if we suppose, for sake of argument, that the condition of the laboring class is utterly hopeless, so that their purchasing power can in no way be increased, is it not absurd to suppose that capitalists will be so stupid as to go on producing, year after year, commodities for which there is no demand? Will they not rather, in view of the stationary demand for the necessaries of life, the things consumed by the laboring class, produce luxuries for their own class, whose purchasing power is unlimited, or limited only by their power to produce?

This, as a matter of fact, is what producers do. When demand for any class of goods is active, they produce goods of that class; when demand in this line falls off, and profits are too greatly reduced, producers withdraw, if they can, from unprofitable production, and create goods for which there is a more active demand, and which can be sold at a greater profit. The fact, if it is a fact, that the working class is poor and growing poorer, is not the cause of over-production; it operates rather to deter and restrict production, and to

guide it in safer and more profitable directions.

The force of this criticism cannot be evaded by saying, as many socialists do, that the exportation of surplus products to foreign lands is the only thing that prevents chronic overproduction and crisis in every capitalistic country. The general surplus of unsalable goods of which they speak does not exist. When goods are plentiful, prices fall and presently the goods are sold, though perhaps at prices unsatisfactory, and even ruinous, to the producer. When foreign markets are opened up, more goods are produced, and the so-called surplus comes into existence. If there were no foreign demand, the surplus would not be created, except by accident or as the result of miscalculation of the home demand.

Farmers and manufacturers sell goods abroad because it is profitable to do so, and increase their production with the expansion of the foreign demand, but not at first for the sake of preventing overproduction and crisis at home. If the United States were shut out from all the markets of the world, she would lose the profits of her export and import trade, and would suffer great hardship for a time; but chronic overproduction of cotton, wheat, cattle, and manufactured goods would not be the permanent result. Production in certain lines would be restricted; in others it would be

augmented, while the home market would expand, and harmony between supply and demand would be again restored. The elimination of the uncertainties of foreign commerce would tend rather to prevent than to create industrial crises, and the fall in prices which would probably result would in some measure compensate the laboring man for the loss of his share in the profits of foreign commerce.

As to the prophecy concerning the crisis and collapse of capitalism, which is to come when all the markets of the world are as fully exploited as those of western Europe and the United States, it may justly be said that no part of socialist doctrine is more groundless than this, nor any article in their creed more plainly due to what psychologists very aptly call "the will to believe." Crises, as Langworthy Taylor has clearly shown, are characteristic of periods of development and progress and not of times of conservatism and attainment. While the world is being exploited and the nations are competing with one another for the largest possible share in this growing and profitable trade, periods of rapid development are sure to be followed by times of crisis and depression; but when the period of extensive development comes to an end, international commerce will settle down to the comparatively stable and regular business of intensive exploitation, without the enthusiasms, risks, and

calamities that characterize the intermittent development of new and promising fields of industry.

Therefore socialists will look in vain for a world crisis to usher in international communism. World crises have occurred in the past and will occur again, but a collapse of capitalism because of world-wide overproduction, such as many socialists expect, will, in all probability, never occur, and the social revolution, if it is to come, must be brought about in some other way. In fact, the doctrine of Rodbertus is so illogical and unsound that it has been abandoned by all the great leaders of socialistic thought; and, but for its tactical value in propaganda work, would long since have been relegated to the limbo of exploded theories.

Frederick Engels comes nearer to the true theory of crises when he lays stress upon "anarchy of production" as the characteristic feature of competitive capitalism. It is true that, in the present stage of capitalism, production is carried on by individuals without sufficient regard to what other individuals are doing, and without control or regulation by any superior authority. The result of this is that producers make mistakes, with serious consequences to themselves and others. If these mistakes are important and numerous, they create a critical condition, with many business men on the verge of bankruptcy, and all striving,

by the use of credit and every other possible means, to avoid falling into the abyss.

If, at such a time as this, an important calamity occurs,—a bad harvest, a war, a political revolution, the failure of one or more great banks or mercantile houses, — the shock is transmitted, as by a wave movement, from one part of the business world to another, and the unfortunates who are trembling on the brink are suddenly precipitated into the depths of bankruptcy and ruin. These, in turn, draw others after them, because of the intimate relations that exist between all parts of the industrial organism, and in such a time of crisis and disaster only the strongest can maintain their ground and avoid being carried to destruction by the rising tide of failure and liquidation.

In attempting to explain the causes which bring about so mysterious a condition of affairs, three important circumstances should be noted. In the first place, as Taylor has well shown, the industrial system is in a constant state of change, and it is necessary for each individual to adjust his business to the changing environment if he would survive in the struggle for economic existence and supremacy. Many individuals find it impossible to adapt themselves even to a slowly changing environment; but when the environment is rapidly changing, as in new and progressive countries, or in new and growing industries, many more indi-

viduals, failing to maintain their position of usefulness and profit, fall behind in the race, with serious loss to themselves and everybody connected with them. Thus it is that the severest crises occur in the most progressive countries and in the most rapidly developing fields of industry.

The second notable circumstance is of equal importance with the first, involving the accumulation of small misfortunes until a great calamity arrives for which there is no remedy. If each individual could quickly and certainly be punished for his own mistakes, so that he alone would bear the evil consequences of them, and the day of reckoning were not postponed, the industrially unfit would be eliminated one by one, and their failures would cause a minimum of disturbance which would affect but slightly the general welfare of the business world.

But when business men are falling behind in the race, they do not realize the fact, or, if they do, they struggle to keep up with the rest, postponing the evil day as long as possible. In this laudable struggle they are assisted by their friends, that is to say, their creditors, whose fortunes are most intimately connected with theirs. Thus, by means of credit, the existence of thousands of the industrially feeble is maintained from year to year, their failure, always imminent, being postponed until they all fall together in the collapse and ruin of a great industrial crisis.

It is like the formation and downfall of a great avalanche of snow. If every drift of snow on the mountain side could fall at once to level ground, there would be no destructive avalanche. But little by little the feathery snows accumulate until a great mass overhangs the valley, when a strong wind or the passing of a railway train precipitates it all with death and destruction to the depths below. So it is with the wholesale failures that attend an industrial crisis. They are the consequences of the mistakes of years, accumulated chiefly by the system of credit that prevails in the most civilized countries of the world. Thus it is that crises are most severe in those countries possessing the most highly developed system of credit, and in those lines of business where credit plays the most important part.

In the third place, the mistakes which business men make, especially in times of prosperity and progress, and which tend to accumulate by virtue of extensions of credit, are due chiefly to the fact that it is difficult or impossible to look forward into the future with any degree of prophetic insight. If business men could do this, and had strength of will and elasticity of mind sufficient to enable them to act in accordance with their knowledge, they would make no mistakes; there would be no accumulation of misfortunes, and neither local, national, nor world-wide industrial

crises. But the future is unknown, and business men plunge into it with feelings of hope and a blind disregard of the activities and interests of their fellows, all going ahead as fast as they can on the principle of "Every man for himself, and devil take the hindmost."

In former times industrial depressions, somewhat different from modern crises, were characterized by sheer want of the necessaries of life, caused by famine, pestilence, war, or other calamities which could neither be foreseen nor prevented. In recent times crises have frequently been due to the same or similar causes, and still it is impossible to foresee events such as these, although business men can, by the practice of economy and prudence, be in a measure prepared for them.

It is also impossible accurately to forecast the economic development of the future, near or remote, and many crises have been due to expectations which the progress of events has failed to realize. The tulip mania of 1634–36 in Holland is a case in point, where a miscalculation of the future demand for these beautiful and desirable flowers caused their price to rise enormously, until it was discovered that a mistake had been made, when a crisis occurred and the bubble collapsed like a house of cards. Very similar to this was the speculation in the shares of the Louisiana Company in France, and the South Sea Company in England,

based upon extravagant hopes of the future development of certain new countries, a development which was too long delayed, so that the companies could not fulfill their promises, and thousands of deluded shareholders were ruined and both countries suffered severely from the resulting distress and industrial stagnation.

Similar to this was the panic of 1837 in the United States, brought about chiefly by speculation in western lands, causing inflated values which the development of the country, rapid as it was, by no means justified. Similar also were the land booms of Toronto, Minneapolis, Omaha, Denver, and other new and growing cities, where hopes of progress passed the bounds of reason, land values rose, and unwise investments were made, until the inflated bubbles broke, followed by years of depression and struggle. Similar, again, was the world crisis of 1893, closely connected with mistaken estimates of the future development of Australia, Argentina, the United States, and certain promising industries in European countries.

Intimately related to mistakes such as these are the mistakes of producers, who, through inexperience or misfortune, allow cost of production to exceed their gross returns. Other producers, or promoters associated with them, cause industrial companies to be overcapitalized, so that stockholders are disappointed in their expectation of

dividends, and losses occur, as in the crisis in stocks of the year 1903. Manufacturers, bankers, and other lenders of goods and money frequently err in extending credit to business men whose financial condition is not good, and in this way the mistakes of one class of people connect them with others, so that all must stand or fall together.

Governments, too, contribute to financial stability or instability by their close connection with banking and monetary systems, as well as with laws concerning bankruptcy, protective tariffs, corporations, and other matters intimately related to the business world, and in governmental activity, foresight and judgment are fully as important as they are in private business.

Anarchy in production, then, using the word in a very broad sense, far broader than the sense in which Engels used it, is the cause of mistakes in production, and these mistakes bring about the crises which occur from time to time, not every ten years, but often enough to give color to the socialists' assertion that they are the death struggles of the present industrial system.

Would it not be more correct to say that crises are the growing pains of progress rather than the dying throes of capitalism? Do the struggles of the vast system to adjust itself to a new environment, to shake itself together after a time of uneven growth, seem like death struggles at all? Does

the recuperative power displayed seem like the slow convalescence of a dying man? Are the growth and progress that follow a period of depression like the decrepitude of tottering age, or more like the awakening of youth and life after a refreshing sleep?

Without insisting on any such biological analogies, it is not difficult to show that crises do not seriously threaten the future of capitalism, and that in all probability they will become less frequent and less severe as time goes on, and the process of evolution eliminates that which is injurious to industry and progress.

If crises, as Taylor thinks, are the disturbances which mark the change from old to new economic conditions, then they are the penalty which society must pay for industrial progress, and the game is surely worth the candle. The continuance of progress under capitalism is a sign of the vitality of capitalism and not an indication of its approaching decline and fall. But is it likely that industrial progress will be as rapid in the future as it has been in the past? If so, and if no human foresight and prudence can help in the adjustments that will be necessary, crises will be as frequent and as severe as now, but the benefits of progress will outweigh the temporary evils of crisis and depression. If not, then business will become more stable though less progressive, and crises will be infrequent, and

by no means disastrous, phenomena of a moderately progressive industrial society.

In all this there is nothing to indicate the collapse of capitalism which socialists expect to see just before the advent of democratic collectivism. Indeed, from this standpoint it looks as though the collective organization of industry would be subject to periodic attacks of the same disease. As Taylor puts it, "From this evil even the socialistic state could be free only on the hypothesis that it had wiser leaders than those that are now found within the psycho-financial circuit, or, on the other more probable hypothesis, that the socialistic state did not advance at all."

But if it is true that the present system of credit aggravates the evils of crises by prolonging the existence of the industrially unfit until the time of storm and stress, then it is reasonable to hope that an improved system of credit will do much to lessen these evils, though it may not be able to prevent crises nor to remove all their injurious effects. Even now creditors are becoming more conservative in lending, and debtors more cautious in borrowing, while credit associations of many kinds are a great help to individuals in their efforts to place their business upon a sounder financial basis. Monetary conditions, too, are improving; banking is becoming more scientific; larger firms are being established; more business is being

done on a cash basis; and the tendency is toward greater publicity in business affairs. So that the future development of industry is likely to show more financial stability and less of the danger that comes from undue expansion of credit.

Again, while it is true that many things cannot be foretold, it is also true that economic prediction is becoming more possible, as economic laws are coming to be better and more widely known. It is still difficult, though not impossible, to forecast the weather, and crop failures frequently occur, but diversified farming and improvements in transportation have done away with famines in all capitalistic countries, and have greatly minimized the effects of local crop failures, so that the danger of crises from that source is constantly becoming less. Besides, farmers as a class are becoming more wealthy and are able to buy manufactured goods even when their crops are small, so that a crop failure is less of a disaster to the business world than ever it was before.

The evils of unrestricted competition are becoming less, because of regulation on the part of trusts and syndicates of various kinds, and in this way overproduction is largely prevented and harmony between supply and demand is more easily secured. This tendency is recognized by some socialists, notably Bernstein, who says, "With-

out allowing myself to prophesy concerning the final outcome of syndicates and trusts, I have recognized the possibility of lessened danger from crises because of adaptation of production to the needs of the market." A statement like this is quite at variance with the view of T. W. Mills, who thinks that the collapse of capitalism will come as the result of overproduction on the part of a world trust. The last thing that a world trust would do would be to produce a mass of unsalable goods. It would regulate production and forever prevent crises and industrial collapse.

Even in competitive lines prediction is becoming more possible, and therefore some, at least, of the uncertainties of business are giving place to scientific production. Unwise speculation in land and stocks still occurs, but investors are becoming more cautious, better instructed, and less ready to play the part of "lambs" in all speculative operations. Business men are quick to adapt themselves to changing conditions, adopting new machinery and methods, cutting down the expenses of production, employing highly skilled labor, paying good wages, producing goods that the market demands, carrying little or no old stock, responsive to changes in fashion, careful to maintain adequate reserve funds, carrying sufficient insurance, and in every possible way trying to make their financial condition secure, while still eager to obtain

the profits that come from progressive management and expanding trade.

Scientific production, or, rather, scientific business activity, is becoming more possible. Also the industrial mechanism, operated by highly skilled captains of industry, is being run with less friction and loss of energy. Business methods, while sufficiently conservative, change rapidly with the changing environment. Man, the product of evolution, appears to be acquiring control over the forces that produced him. Intelligence becomes a factor in industrial evolution, a factor that works toward the elimination of anarchy and crisis and the establishment of peace and orderly progress in the industrial world.

But competition ... war ... and war is h—l!

## CHAPTER VII

### THE ECONOMIC INTERPRETATION OF HISTORY

WHAT student of history has not felt the need of an interpreter? History is frequently little more than a chronicle of events that follow one another like pictures in a panorama, operated by machinery that we cannot see, controlled by motives that we cannot understand. Karl Marx, with his economic interpretation, professes to be able to admit us behind the scenes, where we may get a glimpse of the power that runs the show, and come to apprehend, if not to comprehend, the moving principle of social evolution.

Philosophers of every age, from Heraclitus to Hegel, gazing in wonder at the ceaseless change and flow of things, have sought to discover the reality behind the appearance, to explain in some rational way a succession of events otherwise quite unintelligible. But why should natural evolution be intelligible to man? Evidently, says Hegel, because the world itself is the expression of that reason which is the essence and soul of it. The mind of man is the reflection, or counterpart, of universal reason. Man is the measure of all things. As the mind of man has

evolved, so has the world evolved, reason in both causes, advancing step by step from the unconscious to the conscious, from ignorance to knowledge, from chaos and war to universal harmony and justice.

Logic, with Hegel, is the universal science, for the process of thought is the process of evolution. Thought advances by the resolution of apparent contradictions. We discover a fact, and then another fact which seems to disagree with the first. Presently we see a principle of reconciliation, and this new principle guides us until we find it opposed by another, which again leads to the discovery of a higher law, and thus forever knowledge grows from more to more. Thesis, antithesis, synthesis, is the formula of rational evolution in the human mind and in the universe. The evolution of human society follows this logical process, and history, therefore, can be a science, a rational explanation of human life and social progress.

Karl Marx was a disciple of Hegel and at the same time an opponent of his system. He was to Hegel what Aristotle was to Plato, the materialistic exponent of an idealistic philosophy. Hegel's views concerning the ideal development of society were foolishness to Marx. By Hegel reason was placed at the beginning of things; by Marx it was placed at the end of material evolution, reflecting the world because it is the product of the world.

Thus Marx says: "It is not the consciousness of mankind that determines its existence, but its social existence that determines its consciousness."

Material evolution, then, is the foundation of social evolution, and the interpretation of history must be based upon material and not ideal principles. Yet, while Marx rejects the ideal philosophy of Hegel, he adopts as his fundamental doctrine the principle of the Hegelian dialectic which affirms the eternal flux of things, asserting that every state of society is essentially transient in its nature, because it contains within it all the elements of its own destruction, contradictions which will break it up, only to form the new synthesis of a better and more harmonious condition, until, Marx would add, contradictions shall cease in the perfect harmony of democratic collectivism.

Historians like Buckle had emphasized the importance of material environment in the development of society, but it remained for Marx to show how the relation of man to the production and distribution of wealth to a great extent determines social, political, legal, moral, and religious life. That man may live he must have the means of life, — food, shelter, and clothing,— and his most vital interests have to do with the production of these things. Getting a living is the chief concern of man, and the organization of society is determined chiefly by economic conditions.

According to Marx the economic organization of society is primary, fundamental, and upon it rests the entire superstructure of social life. It is true that there are motives other than economic, — love, hate, fear, pride, ambition, curiosity, respect for law and custom, moral sense, religious feeling, scientific ideals, artistic aspiration, — but all of them have their roots in economic conditions. Engels says: "The political, legal, philosophical, religious, literary, and artistic evolution rests upon the economic. But they all react upon one another, and upon the economic basis."

Much light is thrown upon the pages of history by the principle of economic interpretation. As Morgan has shown, the life of primitive man was largely determined by certain economic factors, — the discovery of fire, the invention of pottery, the domestication of animals, the use of tools and weapons of various kinds. Historians speak of the ages of stone, bronze, and iron, and it is certain that the growth of civilization was in great measure dependent upon the use of these materials. Historians also speak of the hunting and fishing, the pastoral, agricultural, commercial, and industrial stages of civilization, and it is clear that they are to be regarded as primary features of evolution.

When people lived by hunting and fishing, they wandered about in small bands, under the leader-

ship of chiefs whose authority was very slight. They dwelt in wigwams or other temporary structures, and their family life was very primitive in its character. They carried on ferocious wars for the possession of hunting grounds, usually slaughtering prisoners and destroying their habitations. When game was scarce, they migrated to other regions, or died of starvation and disease. Their moral and religious life was determined by the necessities of their economic environment.

Pastoral tribes represent a higher stage in human development, but none the less is their life determined by the nature of their occupation. They are more populous than the former class, because they have more food to eat. They are migratory, because they must find pasture for their cattle. They go in large bands under chiefs who have a considerable degree of authority over them. They often spare their captives, for they can use them as slaves. They worship the heavenly bodies, for they generally live in the open plain.

Agricultural people, on the other hand, are less migratory, for they have settled down upon the land. They build houses and fenced cities; they own land and slaves and desire the blessings of peace. They are no longer satisfied with tribal government, but, like the ancient Israelites, they demand a king, and are willing to pay taxes and maintain a standing army. They are strongly

bound by custom and tradition, develop a complicated religious system, and in time acquire a knowledge of arts and sciences, accumulating civilization as they accumulate property.

Without further discussing the salient characteristics of the various economic stages, it may be well to give a few illustrations of the application of economic interpretation to the explanation of the facts of history.

The migrations of ancient times, it is said, were chiefly for the sake of acquiring hunting grounds, pasturage for cattle, lands, houses, slaves, and plunder of every kind. The decline of the Roman Empire was due to excessive taxation and the destruction of the best citizens in wars of aggrandizement. Slavery was abolished because the masters found it more profitable to have their land cultivated by serfs and rent-paying tenants. Serfs were liberated because their masters could derive more profit from hiring free labor at starvation wages. The Crusades were caused by the interference of the Turks with Venetian and Genoese traders. The towns of the Middle Ages acquired the right to tax themselves, obtained charters, and so originated constitutional liberty and representative government.

The constitution of England was the result of resistance to taxation on the part of the barons and the free cities. The Renaissance was the economic

awakening of Europe from the slumbers of the Middle Ages. The Reformation was due to the economic tyranny of the Church in the exaction of tithes and payments for indulgences. The Spanish came to America in search of gold, as did also the French and the English. The American Revolution was fought to secure freedom from taxation and liberty of trade. The French Revolution was the rebellion of the people against the economic tyranny of the landed aristocracy.

The War of 1812 was fought to secure freedom in neutral trade. The invention of the cotton gin fastened slavery upon the South for more than two generations. The people of the North objected to slavery because it was not profitable there. The protective tariff and the slavery question were the chief causes of secession sentiment in the South. The foreign policy of all modern nations is governed chiefly by considerations of commerce, and every one of them is, in the words of Napoleon, "a nation of shopkeepers."

The economic interpretation of history, then, is a philosophy of history, and claims to be a scientific explanation of the evolution of human society. Because of it there is some reason for calling the Marxian system "scientific," as distinguished from the "utopian" socialism of earlier writers. Karl Marx saw in social evolution a series of class struggles, whereby slavery gave place to feudalism

and feudalism to capitalism. Arguing from the history of the past, he asserted that the system of capitalism would, in time, and before long, be broken up by the class struggles of capitalists and laborers, so that it would be "the last of the antagonistic forms of social production," and be succeeded by a permanent yet progressive condition, when class wars should cease, because the working class alone should rule the earth. Socialism, therefore, claims to be a scientific interpretation of past events, and a scientific prophecy of industrial and social changes that are to come.

The Marxian conception of history is commonly called historical materialism, but in its essential features it is not at all materialistic. Its basic assumption is the philosophical thesis that the world is intelligible to man, and that, in its evolution, it follows the law of the progress of knowledge by the reconciliation of apparent contradictions. The Marxian view of history should be called psychological rather than materialistic, for it is based upon a study of the motives which actuate human conduct; which, though economic in their nature, are no more materialistic than artistic, ethical, religious, or other motives of a higher character. Consciousness determines environment and is determined by it, and it is a misuse of words to call an evolution such as this materialistic.

No sociologist can quarrel with the Hegelian and

Marxian conception of social life as a process of development, dynamic rather than static in its character. Society is alive, and must grow and change, at least during the period of its youth and vigor. Nor can any sociologist object to Marx when he both justifies and condemns the present state of society, affirming and denying its rationality at one and the same time. Whatever is, is right, and whatever is, is wrong. This is a typical Hegelian contradiction or antinomy, which can be resolved by affirming the law of social evolution and eternal change. The present state of society is right because it could not be otherwise; it is wrong because it can, and must, be improved as time goes on. Statically speaking, the world is what it is; dynamically, it is not what it may be and will become.

But, in laying so much stress upon economic motives, Marx lays himself open to the charge of taking a narrow view of life, of trying to explain the whole of life by what is, at most, only a part of it. "Is not the life more than meat, and the body than raiment?" The instinct of self-preservation is more fundamental than the economic instinct. Men desire economic goods for the sake of life, not life for the sake of the means of life.

The reproductive instinct, too, is not economic in its character, and whole masses of men, perhaps the majority of mankind, sacrifice their economic

welfare to the imperative needs of the sexual nature. The religious instinct cannot be traced to an economic origin, and frequently, in the history of individuals and communities, it has determined life and action in opposition to obvious economic interests.

Minor impulses, too, exist side by side with the primary instincts, and have much to do with the determination of human conduct. Such are the fighting instinct, the instinct of play, the love of ornament, the love of power, ambition, pride, self-esteem, — motives very strong in most individuals and not without their influence upon the evolution of society. Custom, too, is a conservative force whose power the revolutionary socialist commonly underestimates. Life is highly complex, both in individuals and in society, and any attempt to explain it by a monistic principle must give a one-sided, and partial, view of human history.

The very illustrations which the Marxians give may be used to show that their main thesis, while containing a large measure of truth, must be greatly modified before it can serve as a satisfactory explanation of all the phases of human development. Migrations, like those of the Germans who invaded the Roman Empire, were perhaps inspired as much by the love of adventure and military glory as by the desire to plunder the rich

treasures of the civilized world. The decline of Rome may have been due to enervating vices and the decay of the ancient religious and moral standards. The Crusades cannot be explained without taking into account the religious enthusiasm that inspired the people of those days; nor can we understand the Reformation without an appreciation of the power of religious motives.

The Renaissance was principally an artistic and intellectual awakening, and the economic benefits of it were effects, rather than causes, of the new spirit that animated the western world. Liberty in England and America was the outcome of the independent spirit of the Anglo-Saxon race, and questions of taxation were often mere pretexts for self-assertion and rebellion. The conquests of Alexander, Hannibal, Cæsar, and Napoleon were inspired primarily by love of adventure and power, and secondarily by the desire for plunder and commercial aggrandizement. Africa was first explored by adventurers and missionaries, afterward by merchants and land-grabbers.

The history of religion cannot be explained by economic principles. The progress of science, art, and literature proceeds chiefly from impulses scientific, artistic, and literary. Humanitarianism is non-economic, and even anti-economic, in its character. Socialism itself, as a system of thought and as a social movement, has proceeded from the

aristocracy and the bourgeoisie, to whose economic interests it is bitterly opposed.

Enough has been said to show that there is more in life than a merely economic struggle for existence, but it must be evident that the economic side of human life is not to be ignored in any effort to explain the history of mankind. Men desire to live, and they wish for happiness, and both life and happiness seem to be intimately connected with the acquisition of the necessaries and luxuries of life. In the order of nature the material comes first; afterward that which is spiritual.

So the economic interpretation explains much, especially in the earlier stages of history. As life broadens with the growth of civilization, the merely economic is relegated to the background, and higher phases of life come to the front. But the economic basis is always there, and the superstructure of spiritual life would soon fall down if its economic foundations were taken away. The economic interpretation is an illuminating conception, the chief contribution of Karl Marx to sociological theory, and his highest claim to a place among the immortals. It is a scientific conception, and in so far as it is a part of Socialism, Socialism is scientific. It does not explain everything, but it explains much, particularly in the realm of economic evolution. It is a partial explanation of the past,

and throws a glimmering light upon the future pathway of the human race.

But there is no essential connection between the economic interpretation of history and the conclusions that socialists have drawn from it. Seligman says, "There is nothing in common between the economic interpretation of history and the doctrine of Socialism except the accidental fact that the originator of both theories happened to be the same man." It is not in itself a socialistic doctrine, and might be upheld by a thoroughgoing opponent of Socialism. With respect to the past he might be in full accord with Karl Marx, and yet disagree with him regarding the economic future of the human race. He might be able to see class struggles and revolutions in the past, without being convinced that future struggles will bring about the destruction of capitalism, the abolition of private property, and the establishment of the social commonwealth.

The future, if not absolutely dark, is so obscure that one might well be justified in assuming the position of an agnostic who does not pretend to prophesy, does not pretend to know what the future has in store for the human race. The historian is not obliged to prophesy, and a careful scholar will avoid doing so, knowing the complexity of social phenomena, the many unknown quantities that enter into the solution of the problem of the future,

near or remote. No doubt, if we knew all about the seed, we might predict the character of the tree, but where is the seed that will reveal all of its secrets, and how can we prophesy concerning a tree the like of which we have never seen? History repeats itself, perhaps, but, if so, progress is not to be expected; and if we are to hope for progress, how can we tell what kind of progress it will be? Besides, we are involved in the flow and whirl of things, and are unable to gain a point of view from which to see the direction in which we are moving. The economic interpretation of history may be a scientific explanation of the past, but when applied to the riddle of the future, it is lost in a maze of unverifiable hypothesis and unscientific speculation.

Economic prophecy, at best, is mere conjecture, and has not yet attained the dignity of scientific demonstration. A degree of probability might be claimed for it. But prophets do not all agree. The socialist may prophesy in a very plausible manner, while the capitalist, with equal plausibility, may prophesy against him, and the future alone can settle the unscientific conflict of opposing probabilities.

In fact, the contrary opinions are probably due less to scientific proof than to conviction based on sympathy and prejudice. Very often, if not generally, feeling is at the bottom of opinion. To those who are in sympathy with the capitalist

class, antisocialist arguments appear to have great weight; to those who feel with the common people the optimistic prophecies of socialists seem to have the validity of mathematical demonstration. In both cases the will to believe is the determining factor, and the motto of both might well be, in the words of Anselm of Canterbury, "*Credo ut intelligam.*" Socialism is a doctrine that lives and grows, taking hold of the minds and hearts of millions of people; but it is a faith rather than a science, deriving its power not from the scientific validity of its theories, but from the faith of its believers, and their determination to bring about, by every means in their power, the consummation which they so ardently desire.

## CHAPTER VIII

### THE CLASS STRUGGLE

MARXIAN Socialism, as a system of thought, is based upon two fundamental principles: the doctrine of the economic interpretation of history and the theory of surplus value. Engels says: "These two great discoveries, the materialistic conception of history, and the revelation of the secret of capitalistic production through surplus value, we owe to Marx. With these discoveries Socialism became a science." A combination of these theories gives us the doctrine of the class struggle. "One fact," says Marx, "is common to all past ages, viz. the exploitation of one part of society by the other;" and assuming that the oppressed and oppressing classes are conscious of their mutual antagonism, he makes the still more sweeping statement, "The history of all hitherto existing society is the history of class struggles."

In ancient history Marx finds frequent examples of class struggles. The civilization of antiquity was based upon the institution of slavery, and the slaves were ever on the point of rebelling against the tyranny of their masters. The Helots of Sparta were kept in subjection only by the practice of

extreme severity. The debtor class of Athens showed their power in the reforms and constitution of Solon. The Plebeians of Rome maintained a constant struggle against the Patricians. The small farmers of the later Republic were impoverished by the exactions of money lenders and the growth of great estates. More than once the power of the ruling class was threatened by rebellions of slaves and gladiators. The civil wars of Marius and Sulla, followed by those of Cæsar and Pompey, were class struggles of the exploited masses against the economic oppression and political tyranny of the rich.

The mediæval period of European history was characterized by the institution of feudalism, with the clergy and nobility at the top of the social system, and the serfs, who supported all the rest, at the bottom. In those times the serfs were the exploited class, and were conscious of the oppression from which they suffered, as can be seen in the rebellion of Wat Tyler in England, the Jacqueries in France, and the peasants' rebellion in Germany at the time of Luther. In this struggle the peasants were ultimately successful, for after a time serfdom was abolished and the modern labor system took its place.

About the time of the Crusades there arose another important class in western Europe, the class of merchants and artisans which afterward

became the bourgeoisie or capitalist class of modern times. Many of these people were originally serfs, who, in course of time, became rich enough to buy liberties from the lords of the land, and thus became citizens of free or chartered cities. Such were Venice, Genoa, Florence, and the other great Italian cities. Such also were Lübeck, Hamburg, and the other members of the Hanseatic League. In France, England, and the Netherlands, too, there were free cities, which played an important part in the economic and political life of those countries.

The burghers, banded together in merchant and craft gilds, were both able and willing to defend their class interests against their natural enemies, the landed aristocracy, and in all the European countries they increased in wealth and influence until they obtained both economic and political supremacy, and became the dominant class in modern industrial and political life. They were the "third estate" of France, which overcame the aristocracy in the great revolution of 1789. In England they were the Commons, who secured political supremacy by the Reform Bill of 1832, and have since directed the domestic and foreign affairs of that "nation of shopkeepers." In Germany the bourgeois revolution occurred shortly after the war of 1870; in Russia it is even now coming to pass. In the United States it came about as the chief result of the Civil War, and now the

dominant power in every civilized country is the capitalist class of wealthy manufacturers, merchants, and bankers, whose interests control to a large extent the economic and political fortunes of the whole world.

But now appears a threatening cloud upon the capitalistic horizon, and the long-expected deluge is predicted by those who read the signs of the times from the viewpoint of Marxian Socialism. This ominous cloud is the organized proletariat, the vanguard of the working class in their march to attack the established power of capitalism. Capitalism, it is claimed, has had its day; the future is with the numerous and powerful working class. Once they were few, feeble, and despised; now they are many, strong, and greatly to be feared. Like the bourgeoisie, they were originally serfs. When serfdom passed away, they became landless agricultural laborers in the country, and propertyless workers in the cities. Until the industrial revolution they were in a hopeful case, for it was possible for the agricultural laborer to become a farmer, and the poor journeyman of the city might readily obtain capital sufficient to set him up as a master craftsman.

The modern proletariat is the creation of the industrial revolution, for only wealthy capitalists could own expensive machinery and carry on production upon the large scale required by the new

conditions. The workers ceased to be independent manufacturers, owning their own tools, and became propertyless wage-slaves, working under the direction of capitalists whom they did not know, and using machinery and material which they could not own. At the same time the capitalists became a distinct class, for they largely ceased to work with their own hands, and in many cases were mere stockholders in soulless corporations, and, like the absentee landlords of Ireland, their chief concern was to secure the greatest possible profit at the least possible expense.

As the classes became more distinct the true character of capitalist exploitation was more clearly seen. Capital came to be more and more centralized. Capitalists decreased in numbers, but increased enormously in wealth. The laboring class, on the contrary, increased in numbers, while their wages fell to the level of a bare subsistence. The product of industry was greater than before, but the laborers who created this product were hopelessly sunk in the bottomless pit of slavery, degradation, and increasing misery.

Kautsky, and other socialists who do not insist on the law of increasing misery, strenuously insist on the law of increasing exploitation. In 1860, Kautsky says, the total annual wage income of England was 47 per cent. of all incomes; in 1891 it was only 43½ per cent. Surplus value, then, in

1860 amounted to 53 per cent. of the national income; in 1891 it was 56½ per cent. Kautsky does not lay great stress upon these figures, but says that increasing exploitation is evident from the growing extravagance in expenditure of the capitalist class, as compared with the more slowly increasing expenditure of the working class.

True, the proletariat has made great advances in intellectual, moral, and political life; but such progress as this has made economic inequality harder to bear, awakening in the mind of the working man a deep sense of injustice, as he sees the material prosperity of those who, in other respects, are no better than he. The fact of exploitation is the basis of the antagonism between the bourgeoisie and the proletariat, and the fundamental cause of the class struggle of recent times.

As the workers come to perceive and understand the fact of exploitation they develop a class consciousness, which greatly increases their fighting power. This class consciousness has manifested itself chiefly in the growth of Trade Unions in all capitalistic countries, by means of which the workers struggle for their material interests in an organized and systematic way. Yet the strike and the boycott, the chief weapons of the Trade Unions, have largely failed to better the condition of the laboring class, and now they are coming to realize, with Marx, that their economic salva-

tion can be secured only by political activity, by the formation in every country of a labor party, the socialist party, which will sooner or later acquire the political power, abolish capitalism, and establish social production and distribution in every branch of industry.

The political parties of past times have always represented the interests of the propertied classes. The Tories, or Conservatives, of England have consistently represented the interests of the land-owning aristocracy, while the Whigs or Liberals of that country have chiefly stood for the interests of the manufacturing and commercial class. On the Continent of Europe similar conditions prevail, while in the United States both of the great political parties are bourgeois in their character, representing propertied interests of one kind or another. Until recently, the workers, when they have had a vote, have voted with one or the other of the bourgeois parties; but now, realizing the wisdom of caring for themselves, they are coming out from among them and forming parties of their own, while the bourgeois parties, forgetting their minor differences, are drawing closer together for mutual protection against the common enemy.

The growing power of labor in all capitalistic countries is the direct result of the evolution of capitalism. The centralizing movement of modern industry has produced the large factory, the cartel

or pool, and the consolidation or trust. Parallel to this movement can be seen the development of larger and larger unions, federations of unions, and, finally, the union of federations in a political party, representing the interests of the laboring class as a whole.

At the same time, socialists say, the middle class of small manufacturers and merchants, who act as a buffer between the great capitalists, on the one hand, and the laboring class, on the other, is gradually disappearing. A few become large capitalists, but the major portion become wage-earners, and thus fall back into the ranks of the proletariat. "Thus," says Marx, "the proletariat is recruited from all classes of the population."

In the parallel process of political evolution, the Liberal Party in England, the Democratic Party in the Northern States, and, in general, the liberal parties in every country, representing the middle class, are being split up into two divisions, the smaller of which joins the conservative, or capitalist, party, while the larger number attach themselves to the labor party, to which they naturally belong. Thus there will soon be only two antagonistic parties: the party of the minority, the capitalists, and the party of the majority, the great laboring class, overwhelming in numbers and invincible in power.

Presently the social revolution will be accom-

plished. In the words of Marx: "Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalist integument. This integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated." In the words of Engels, "The proletariat seizes the political power, and turns the means of production into state property."

The doctrine of the class struggle is an important contribution to historical theory, but it does by no means explain the whole of history. Most of the struggles of ancient times were sectional wars rather than internal struggles of contending classes. Within a given state the struggle was for the most part individual in its character, and class victories were generally obtained by the simultaneous, yet not concerted, efforts of many individuals. The class existed before the class struggle, and at times individual effort, together with favorable social conditions, produced results which coöperative struggles had failed to secure. Slavery was abolished in western Europe, not by servile rebellions, but largely as the result of barbaric invasions, changes in methods of production, and the influence of Christian ideals.

The serfs of mediæval Europe occasionally rebelled against their masters, but for the most part

they maintained an individual, rather than a collective, resistance to oppression. There was little class consciousness and no class struggle of the modern type. The class of serfs, when it ceased to exist, lost its identity as a class, being merged into at least four new classes, consisting of tenant farmers, agricultural laborers, bourgeoisie, and wage-earning proletarians of the free towns. The serfs, as serfs, did not conquer their masters, but were gradually eliminated by the process of economic evolution.

The bourgeoisie, in their struggle against the oppression of the landed nobility, passed through a similar process of transformation. For centuries, by means of their organizations and regulations, they developed a local class consciousness and a system of protection against the landed aristocracy, the common laborers of town and country, and the bourgeoisie of rival towns. Frequently they established leagues or confederacies for their mutual advantage in domestic and foreign trade. As population grew and trade expanded there came to be outside of the gilds a large body of independent merchants and artisans, so that the gild system was broken down, and modern methods of unregulated competition took its place.

Then came the industrial revolution, which created the factory system, and brought about the supremacy of the bourgeoisie in England, France,

and every other capitalistic country. Many of the merchants and artisans of the eighteenth century became large capitalists in the early part of the nineteenth century; many of them continued to be small capitalists; while many, unable to adapt themselves to the new conditions, sank into the class of propertyless wage-earners. The capitalist class has been augmented by accessions from the peasant class, strengthened by fusion with the landed aristocracy, supported by a large and growing class of professional people, the so-called "intellectuals," and firmly intrenched in the support of salaried employees, and the more efficient and better paid wage-earners, who possess more or less property, and are ambitious to be classed with their superiors in wealth and position, whose equals they hope some day to be. For the modern bourgeoisie is not a privileged class, a close corporation, but is open to all who have the strength to make their way into the circle of property and influence, while those who fail to maintain their position fall back into the ranks of the wage-earners. Such is the capitalist class of modern times, very different from the bourgeoisie of the eighteenth century, and far more numerous and powerful than any other ruling class in the history of the world.

In a similar manner it can be shown that the working class has had its history of change and transformation. Before the industrial revolution

the proletariat was chiefly composed of landless agricultural laborers, journeymen artisans and other poor laborers in the towns, and a large class of domestic servants of both sexes, dependent upon the rich. These people were all very poor, receiving little more than starvation wages, supplemented by public and private charity, and in a majority of cases expecting to end their days in the poorhouse. A minority of the agricultural laborers, the more efficient, were able to become tenant farmers, while a minority of the common laborers of the towns could, by energy and frugality, make their way into the class of master artisans. It is a mistake to say that the opportunities of advancement were greater than they are to-day. They were much less than now, and the material condition of the proletariat in western Europe was similar to that found to-day in parts of Austria, Turkey, Russia, and other undeveloped countries of eastern Europe.

The industrial revolution, by building up the manufacturing and commercial towns of England, created a growing demand for labor, and to those towns flocked young men and women from the country, eager to secure the higher wages which there prevailed, together with the greater opportunities of every kind which the new towns afforded. This movement began in England, but presently spread to the continent of Europe and

to the United States. In all countries where capitalism has spread, the same phenomena are observed: a great increase in population, especially of urban population, and a marked increase in wages, particularly in those lines of industry in which machinery is most used and a high degree of skill is required of the workers. But the wages of the most unskilled labor also have greatly increased. Agricultural laborers in Massachusetts in the year 1800 received 48 cents a day, without board; in 1883 they received $1.37. In 1800 common laborers in the towns received 62 cents a day; in 1883 they received $1.31. In every country where capitalism is introduced farmers complain of the high wages of agricultural laborers, and housekeepers are distressed because of the enormous increase in the wages of domestic servants.

In general, then, the industrial revolution caused in England and in other countries a general increase in the material prosperity of all classes of society. The land-owning class has greatly increased in wealth. The bourgeois class of the present day are far more numerous and vastly more wealthy than the merchants and artisans of the eighteenth century. The laboring class of the present time is far in advance of the propertyless wage-earners of those days. In fact, the wage-earners of to-day are at least as prosperous, on the

average, as the middle class of the eighteenth century, and the capitalists of to-day are much more wealthy than the aristocrats of that time.

True, some scions of aristocracy lost caste and became shopkeepers or even common laborers, and many merchants and artisans, or their children, joined the ranks of the wage-earners, but the upward movement has been even more marked, and, as a rule, the more efficient have pushed their way upward, and the less efficient have been pushed downward in the economic and social struggle for existence and supremacy.

But even the lowest independent stratum, that of the able-bodied, but unskilled, laborers, has been raised to a level far higher than that of the same class of the eighteenth century. Beneath this stratum is the class of the physically or mentally inefficient, the "submerged tenth," the chronically unemployed, who are supported by public and private charity. The miseries even of this class, though in many cases as great as ever in the history of man, are alleviated to a greater extent than formerly, and their condition, or that of their children, is more hopeful than it was in former times.

So it is not true that capitalism has brought about an increase in the misery of the working class, if by the word "misery" is meant a lack of the necessaries and luxuries of life. Nor can it be

shown that exploitation is increasing, if by increasing exploitation is meant an increase in the rate of interest and profits. As is well known, the rate of interest tends to fall as capital increases, as does also the rate of profit. But if increasing exploitation involve the taking by capitalists of an increasing proportion of the social income, it must be admitted that exploitation in this sense sometimes does increase. When a seamstress works by hand, she may receive the whole value of her product in the form of wages. When she hires a machine, she may give 50 per cent. of her wages to the owner of the machine, and yet the remaining 50 per cent. may be twice as much as she formerly received. In a mathematical sense she may be exploited to a vastly greater extent than before, but as a matter of fact she may not be exploited at all, but greatly benefited by the loan of an improved instrument of production.

The figures given by Kautsky appear to show that the so-called "rate of exploitation" in England increased slightly between 1860 and 1891, but another set of figures, at least as reliable as those, compiled by Sir Robert Giffen, lead to very different conclusions. In 1843, according to Giffen's tables, the wage income of Great Britain was 63 per cent. of the total income of all classes; while in 1883 it was 66 per cent. of all incomes. The same table shows that the income of the "manual

labor class," not the whole working class, in 1843 was 33 per cent. of all incomes, while in 1883 it was 43 per cent. of all incomes, showing a remarkable decrease in the "rate of exploitation." But far more significant than any showing of comparative incomes is the statement of Giffen that the average income of the manual labor class in 1835–40 was $95 per head, while in 1883 it was $205 per head, being an increase in money wages of over 100 per cent.

Kautsky's statements about the increasing contrast between the expenditure of the rich and that of the poor may appear to be confirmed by common observation, but it is by no means confirmed by the facts of history. In education, manners, appearance, dress, food, and housing, there is far less difference between rich and poor than there was a hundred years ago. If the poor are now more envious of the rich, it is because of greater equality rather than greater inequality. The laborers of the present day are more intelligent than those of former times; their wants are more numerous, their ambition less restrained. They read radical newspapers and socialistic publications, and believe, perhaps, that they are the victims of exploitation, and that no class of men have endured such oppression and suffered such misery since the world began. The laboring men think that they are exploited, and lend a ready ear to socialist mis-

sionaries, who confirm their half-thought views, intensify their hatred of the ruling class, and make them believe that economic salvation is to be found only in socialist faith and revolutionary activity. A large part of the working class already believe in exploitation; it remains only to convert the rest to the same opinion and the social revolution is an accomplished fact.

The working class existed long before it became active in anything like a general class struggle. The beginning of the class struggle was coincident with the beginning of labor organizations in the early part of the nineteenth century. What struggles there were before that time were local in their origin, and individual rather than collective in their character. Since then the Trade Unions have greatly increased in numbers and influence. Although they do not in any country include a majority of all laborers, they do include in many countries a large proportion of the most skillful and highly paid manual laborers, the aristocracy of labor, and thereby wield an influence out of all proportion to their numbers. They carry on a class struggle in that they represent directly the interests of organized labor, and indirectly, and to a less extent, the interests of unorganized labor. They have in the past maintained chiefly local struggles by means of the methods of collective bargaining, but of late years they have developed

national and even international organizations, and are not only strong industrially but increasing in political strength, and threaten to dominate the political situation in most capitalistic countries at no distant date.

So it seems reasonable to admit the contention of socialists that the laboring class in the near future will be more thoroughly organized than now, that their bargaining power will be greater, and that their political influence will be so strong as to force the adoption of such changes in the industrial and political system as may seem desirable to them. Already in New Zealand and in the Commonwealth of Australia the working class have great political power, and have inaugurated for their own benefit a series of industrial experiments which promise to be highly instructive, if not in every case thoroughly successful.

The laborers of Australia and New Zealand are finding out, as the laborers of other countries will presently discover, that the profits of capital are not, as a rule, subtracted from the wages of labor, but taken from an additional product, which would not exist without the investment of new capital under the efficient direction of private capitalists. As Clark has shown, when a unit of capital is judiciously added to a given supply of capital and labor, the total product is increased, but the income of capital, per unit of capital, is decreased,

while the wages of labor tend to rise, and the laborers, instead of being robbed, are greatly benefited by the activity of prudent, yet enterprising, investors.

If, now, this unit of capital be not applied in the right way, at the right time and place, and under the proper combination of circumstances, there will be little or no increase in the product, no additional profit to the investors, and no additional wages to the laborers. Private investors, no doubt, frequently make mistakes, and there is much waste connected with competitive production, but the experiments that have been tried by states, municipalities, and coöperative associations seem to show that the laboring class could not carry on production with a degree of social efficiency equal to that secured by the imperfect, but relatively efficient, system of competitive production for private profit.

If this be true, the laboring class would gain nothing by seizing the means of production and operating them for their own advantage. On the contrary, the product of industry would in all probability be greatly reduced; the so-called surplus value would utterly disappear; losses would occur; wages would fall; confusion or stagnation would characterize industrial society: and the laborers would realize, when too late, that they had killed the goose that laid the golden egg.

Exploitation is not the essential feature of capitalism. It is rather what the logicians used to call an accidental characteristic, although it might almost be called a "universal accident," since it is found to a greater or less extent in every part of the industrial world. Under perfectly free competition there would be no exploitation at all; but since competition is nowhere perfect, everywhere there is an element of monopoly, and everywhere a degree of exploitation. So long as competitive conditions prevail, the slight degree of monopoly that everywhere exists is of little or no importance to the laboring class. But when capital is organized into pools and trusts, when competition is restricted and monopoly profits become large, the laborers have good reason to think that they are not receiving a just share in the distribution of the social income.

It is by no means certain that industrial evolution will bring about the destruction of competition, and inaugurate an era of world trusts owned by a small number of parasitic capitalists. On the contrary, there are many reasons for thinking that competition will continue to regulate by far the greater part of the world's industrial activities, and that the ownership of those monopolies which must exist will be divided among a large number of moderately wealthy stockholders.

But if all the Marxian prophecies concerning the

concentration of capital are literally fulfilled, even then it will not be necessary for the laboring class to assume the direction of industry. It will not be advantageous to them to do so. It will be more profitable for them to allow capitalism to exist, while using it so as to get for themselves the utmost benefit consistent with the protection of industry, and the encouragement of private enterprise. As in the case of municipal monopolies, it will be a question of taxation for the general benefit, according to the principle of charging as much as the business will bear, but no more, in order that the advantages of private ownership and management may be preserved, and society at large receive the benefits of improvements in production which social and industrial evolution have brought about.

No doubt the laboring class will have something to say about this, and the radical section will be satisfied with nothing short of collectivism in all branches of production. But what reason is there to think that the policy of the most radical will dominate the entire labor class? All the proletarians will be in the radical section, perhaps, but the proletarians are not the whole of the laboring class. They are the least efficient of the laborers: those receiving the lowest wages, those most frequently out of employment, those whose interests appear most antagonistic to those of their capitalist masters, those who, as Marx says, "have nothing

to lose but their chains, and have a world to win."

The conservative section of the laboring class, on the other hand, will be composed, as it is now, of the more efficient and more highly paid laborers, whose interests are to a large extent identified with those of their employers, whose material condition is improving, who are acquiring property, and hope to rise, they or their children, into the capitalist class. If it is to this section of the capitalist class, the aristocracy of labor, that socialists must look for aid in propagating Socialism and furthering the social revolution, it may be said with some degree of assurance that they will look in vain; for laborers of this class are not wage slaves; they have something to lose and little to gain by any sudden overthrow of the industrial order, by the setting up of any system of social production and communistic distribution.

Besides, it must not be forgotten that the capitalist class itself is numerous and very strong, and increasing in numbers and strength. It includes the great capitalists, their salaried associates, and the minor stockholders in corporations great and small. It includes the small manufacturers and shopkeepers, whose name is legion, and who are by no means disappearing from the scene. It includes the farmers and most of the farm laborers, who are generally farmers' sons. It includes the

greater part of the professional class — lawyers, physicians, teachers, artists, and the like, people who in many cases sympathize with the struggles of the poor, but whose interests are identified with those of the capitalist class, and who, in many cases, perceive the fallacies of socialist theory, and fear the chaos and stagnation which would follow the social revolution. All these people, together with the conservative section of the laboring class, will offer a successful resistance to any radical and revolutionary program.

The so-called "working class" is not a single class of people united by perfect community of interests. It is rather composed of a number of classes, whose interests are partly identical and partly diverse. It is divided horizontally into various related, yet competing, occupations, and vertically into divisions based upon varying degrees of efficiency and remuneration. They are by no means at peace among themselves, nor perfectly united in hatred of a common enemy. They have in common a desire for higher wages and industrial advancement, and might perhaps unite as a political party upon a platform based upon such community of interests; but it is hardly conceivable that they would ever unite upon the basis of a revolutionary program looking toward the abolition of capitalism and the destruction of private property.

But if they do, and if they succeed in establishing the social commonwealth, will they at the same time agree to abolish all sectional and private differences, so that the class struggle may forever cease in the perfect harmony of democratic collectivism? Karl Marx thinks that there will be an era of perfect peace. There will be no classes, and therefore no class struggle. "The bourgeois system of production," he says, "is the last of the antagonistic forms of social production." Evolution is to go on, but without conflict, without struggle.

To say this is to abandon the fundamental principle of the Hegelian dialectic, the basic doctrine of the Marxian system, according to which progress can come only through the synthesis of contradictions, the reconciliation and compromise of social antagonisms. If progress must come through struggle, the cessation of struggle must be the death of progress. The Marxian doctrine of the class struggle proves too much. It proves, if it proves anything, that class struggles will go on after the accomplishment of the social revolution, in which case the social democracy will be in danger of disruption. But if, as Marx asserts, there will be no class struggles, the social revolution will usher in an era of universal stagnation and social crystallization. The Marxian socialist is equally uncomfortable upon either horn of this dilemma.

# CHAPTER IX

## THE SOCIAL REVOLUTION

Marxian Socialism is essentially revolutionary, being one of the by-products of the French Revolution. That remarkable series of events profoundly influenced the thought of Europe for more than half a century. It dominated also the political development of Europe for many years, especially on the Continent, where the revolutions of 1830 and 1848, together with minor disturbances, unsettled the political situation, and created an impression of instability in the minds of all who gave attention to social phenomena. The Manifesto of the Communist Party, published by Marx and Engels in 1848, was itself a revolutionary phenomenon, and gave a marked revolutionary character to later socialistic thought.

Since the publication of Darwin's "Origin of Species," in the year 1859, scientific thought in every field has been influenced by the idea of evolution, and Marxian socialists have been eager to show that the theories of Marx are essentially evolutionary in their character. But they hold to the idea of revolution as essential to any true conception of social evolution. The idea of evo-

lution, as commonly presented, involves the thought of a gradual, almost imperceptible growth through a long series of years, or even ages, while the concept of revolution involves the thought of a more or less sudden change, a radical overturning of things, accompanied by more or less violent disturbance or catastrophe. The socialist, in the true dialectic spirit, attempts a reconciliation of these apparently contradictory ideas, by trying to show that revolution is a part of evolution, the culmination or climax of an evolutionary process.

Socialists like to find catastrophies in nature, whether animate or inanimate, for they seem to show that revolution is a normal phenomenon in natural evolution. Early scientists, as Kautsky shows, upheld the catastrophic theory of geological history, while later theorists rejected the catastrophe altogether, holding that in former ages there was little more disturbance in the earth's crust than there is at the present time. More recently, Kautsky says, geologists have found place for the catastrophe in their evolutionary conception of the past, and point to floods, earthquakes, volcanoes, sudden subsidence and rapid upheaval, as evidence of changes revolutionary in their character. But what are earthquakes but slight quiverings of the earth's crust, and what are volcanoes but minute bubbles on the surface of a slowly cooling mass?

It is hard to find anything like a revolution in geological history, but biological science gives examples of sudden and radical changes that seem to be revolutionary. True, the evolution of species is very gradual, and radical changes in the flora and fauna of the world occur only through the lapse of ages; but in the life of individual plants and animals are seen rapid and fundamental changes. Thus, the mosquito, which spends its early life wriggling in a pool of stagnant water, presently becomes a winged insect, living in the air. Butterflies and moths pass through several processes of transformation, each successive existence quite different from the previous mode of life. In the life history of birds there is the egg stage and the bird stage, separated by a revolutionary act, the breaking of the young bird out of the egg. So also in the act of birth in the human species the fœtus becomes the infant, and there is a complete transformation in the mode of life.

It is hardly necessary to state that analogies drawn from the life history of individuals prove nothing with regard to the process of social development. The metamorphosis of a butterfly, or the breaking of a chicken from the egg, may illustrate the idea of social revolution, but cannot prove it to be a necessary part of social evolution. Besides, the life history of an individual is a repetition of the life history of every other individual of the same

class. It is, as Engels puts it, an example of nature moving "in the eternal oneness of a perpetually recurring circle," and not an instance of a continuous evolution in a given direction toward a certain goal.

Moreover, although the individual history of the lower animals gives innumerable examples of sudden changes, their social life shows few, if any, similar modifications. The ants, bees, and wasps described by Lubbock, doubtless live exactly as their ancestors did in the time of Solomon, and the birds of the air, and the fishes of the sea, live just as they did thousands, and perhaps millions, of years ago.

Some examples can be given of sudden alterations in modes of life due to rapid changes in environment. The Colorado beetle has lived a new life since it began to feed on the luscious potato vine. The English rabbit has wonderfully prospered in Australia. Certain vegetarian insects have greatly changed their mode of life by association with the lower animals and man. The dog has taken on an almost human character since his domestication thousands of years ago. A peaceful parrot of New Zealand has become ferociously carnivorous since the introduction of sheep into the islands, where formerly no quadrupeds at all were found. Instances like these, which could be multiplied, merely show that social evolution has

laws of its own, and that, if a place is to be found for the social revolution, it must be found in the history of human society, and not in an investigation of lower forms of life, which supply, at best, a perplexing medley of misleading analogies.

Without doubt social evolution is more rapid than biological evolution. The human body has changed but little since the time of the cave dwellers, but modes of life have undergone a wonderful transformation. During certain periods, too, social movement is accelerated, as in the nineteenth century, when the people of western Europe made greater progress in civilization than during the preceding fifteen centuries. Similarly, the people of Japan have passed through a remarkable development in the brief space of fifty years. The invention of new machines toward the close of the eighteenth century brought about, in less than half a century, the radical change in methods of production known as the industrial revolution. Political evolution may be more rapid still, as in the case of the French Revolution, which suddenly overthrew the power of the king and the aristocracy, and made the bourgeoisie the controlling influence in the political life of France.

The Marxian conception of revolution is intimately connected with the doctrine of the class struggle. Marx defines social revolution as "a more or less rapid transformation of the foundations of

the juridical and political superstructure of society arising from a change in its economic foundations." Economic evolution may be relatively slow, and the class struggle founded upon it may go on for a long time without any social overturning; but suddenly matters come to a head, a crisis is reached, the subordinate class becomes conscious of its power, and, by a sudden effort, throws off the domination of its enfeebled rulers. This is a social revolution, the climax, or culmination, of a relatively long process of social evolution.

Reading history with this conception in mind one finds few, if any, good examples of social revolution in ancient, or mediæval, times. Kautsky himself admits this and says, "The disappearance of slavery in Europe came about so imperceptibly that the contemporaries of this movement took no notice of it." This passing of serfdom in western Europe was equally gradual. In neither case did the subordinate classes overthrow the power of their masters. Slaves and serfs were liberated, were absorbed by the other classes, and society continued to be governed by the land-owning aristocracy.

So the bourgeois revolution of the eighteenth and nineteenth centuries is the first and only example of a social revolution according to the conception of Marxian socialists, and it is not hard to see whence that conception was derived. This

revolution was sudden and violent in some countries; slow and peaceful in others. In France there was violence, bloodshed, civil strife, terror, foreign war, and a condition of upheaval that did not subside until the downfall of Napoleon in 1815; and many historians, in view of the revolutions of 1830, 1848, and 1871, have serious doubts as to whether a condition of stability in that country has yet been attained.

In England, on the contrary, there was no sudden revolution, no civil war, and none of the violence commonly associated with the idea of revolution. At the time of the French Revolution the landed aristocracy controlled not only the House of Lords, but the House of Commons as well, and it was not until the Reform Bill of 1832 that the political power passed into the hands of the middle class. The passage of this bill was not a sudden revolution, but a gradual one, and even after it was passed the power of the landowners was by no means destroyed, for they have continued to exert a considerable influence in British politics until the present day.

The French Revolution was sudden and violent because the French people had no representative government, no constitutional means of redressing their wrongs, no power to change their laws to suit the changing conditions, no elasticity or flexibility in their political system. The bourgeois

revolution that is going on in Russia at the present time is violent for very similar reasons. Under a rigid and oppressive system outworn customs are preserved, wrongs accumulate, abuses are stored up, until the barriers of antiquated forms are swept away and a destructive flood of revolution sweeps over the land.

The French Revolution was a great object lesson to the world, and to this day socialists think of it when they think of the coming social revolution. In the Communist Manifesto Marx says, "The communists openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions," and so recent a writer as Kautsky declares that "society can only be raised to a higher stage of development through a catastrophe."

Toward the end of his life Marx did not insist that a sudden and violent revolution would be necessary in every country, and many socialists of the present day believe that the social revolution will come gradually in countries like the United States and England, where the people have large individual liberty and successful forms of democratic government. The idea of violence, then, is not essential to the concept of revolution, and a revolution need not be very sudden in its advent. The concept of revolution seems thus to be losing its content, but the essential feature yet remains,

— the thought of the overturning of a dominant social class by a class hitherto exploited and oppressed. The bourgeois revolution was a revolution of this character, and the fact that one social revolution has occurred is sufficient proof of the possibility of another at some future time.

The social revolution, dependent as it must be upon economic evolution, cannot come before economic conditions are ripe and the revolutionary class is strong enough to obtain, and retain, the mastery. A premature revolution, like an untimely birth, could result only in failure, reaction, and sorrow.

Two conditions are necessary, in the view of Marx, before society will be ready for the next and last social revolution, the revolution of the proletariat against their bourgeois rulers and oppressors. On the one hand there must be centralization of capital in the hands of the few, and a consequent increase in the mass of surplus value. On the other hand there must be a growing number of propertyless workers, a proletariat whose misery is increasing, and whose hatred of the robber-barons of industry is an unquenchable fire. In the words of Marx: "Along with the constantly diminishing number of the magnates of capital, who usurp and monopolize all advantages of this process of transformation, grows the mass of misery, oppression, slavery, degradation, ex-

ploitation; but with this too grows the revolt of the working class, a class always increasing in numbers, and disciplined, united, organized by the very mechanism of the process of capitalistic production itself. The monopoly of capital becomes a fetter upon the mode of production which has sprung up and flourished along with, and under, it. Centralization of the means of production and socialization of labor at last reach a point where they become incompatible with their capitalistic integument. The integument is burst asunder. The knell of capitalist private property sounds. The expropriators are expropriated."

In this significant passage Marx foretells the future of economic evolution: the division of society into two hostile camps, the irreconcilable antagonism that must exist between the exploiters and the exploited, and the inevitable victory of the many over the few, the growing and powerful proletariat over the diminishing and decadent bourgeois class.

The first of these two conditions, the centralization of capital, simple as the concept may seem to be, involves at least three more or less distinct ideas: the concentration of business into large corporations or trusts; the concentration of wealth in the hands of a few great magnates; and the elimination of the middle class, who are to sink into the class of wage-earning proletarians.

Whatever may be the merits of the controversy between Bernstein and Kautsky, it has shown pretty clearly that economic evolution along these lines is proceeding far more slowly than orthodox socialists like to admit. Even in the United States, where the concentration of capital has been more rapid than in any other country, the movement toward consolidation of railways and manufacturing corporations has been greatly retarded in recent years, and there are facts which seem to indicate that the expansion of trusts has for the present attained its maximum development. Not only do great numbers of small factories maintain an independent existence, but there is a revival of the old-fashioned handicrafts for the production of articles of luxury superior to those that can be made in factories.

In retail business, too, the departmental store does not prevent the existence of large numbers of retail specialists, who are able to survive in spite of keen competition with their gigantic and somewhat unwieldy rivals. In farming, also, the tendency is not toward the consolidation of small holdings, but toward the division of large farms, and there is no evidence to show that the day will ever come when the land of the United States will be cultivated by a few great capitalists employing a vast army of wage slaves.

The concentration of industry does not neces-

sarily involve the concentration of wealth, and may even involve the dispersion of it. The great railway corporations of the United States are owned by thousands of stockholders. Although they are controlled by a few men, this control is exercised by virtue of proxies, which the smaller stockholders send to large holders in whom they have confidence. The same is true of trusts, in some of which even minor employees own a few shares of stock.

Doubtless a large part of the wealth of the United States is in the hands of a few persons, but it is not easy to show that concentration of wealth is becoming greater. Ely says, "It still remains an open question whether the concentration is greater or less." T. S. Adams says, "While the data upon this subject are imperfect and tentative, they indicate that the distribution of wealth is becoming less, rather than more, unequal." These are conservative and reliable statements, far different from the view of orthodox socialists, as expressed by Marx, that "accumulation of wealth at one pole is at the same time accumulation of misery, agony, toil, slavery, ignorance, brutality, mental degradation, at the opposite pole."

It is even less easy to show that the middle class is being eliminated by the process of capitalistic evolution. The statistics given in the Report of the Twelfth Census, while not altogether reliable,

indicate that the middle class of manufacturers and merchants is more than holding its own. From 1890 to 1900 the number of retail merchants increased by 20 per cent. and the number of wholesale merchants by 35 per cent., while the number of people having occupations increased by 28 per cent. In the same time the number of manufacturers and their officials increased by 59 per cent., and the number of commercial travelers, commonly thought to have been reduced by the formation of trusts, increased by 60 per cent. To these people should also be added the large and growing class of people engaged in professional service, and another large and growing class, that of the more highly paid and more efficient laborers, who generally own some property, and who are more closely allied to the capitalists than to the less highly paid and less efficient proletariat. They constitute, in fact, a new middle class, whose prosperity will render the social revolution not only unnecessary but impossible.

The second economic condition which must be fulfilled before the proletarian revolution can be accomplished is the growth and organization of the proletariat itself, the propertyless class of wage-earners, which, according to Marx, is ever sinking deeper into the slough of misery and degradation. But in the United States, at least, it cannot be shown that the numbers of propertyless laborers

is relatively increasing. On the contrary, the relative number of laborers who acquire some property other than chattels, — a piece of land, a house, an insurance policy, stock in a corporation, — appears to be steadily, if slowly, increasing. Certainly, the opportunity of acquiring such property seems to be becoming greater rather than less, and a majority of the laborers of the United States can, if they will, accumulate property as a means of augmenting their income and as a provision against a rainy day. C. B. Spahr cannot be accused of having a roseate view of economic conditions, and yet he says, "There are about 7,000,000 property-owning families in the United States, and only about 5,500,000 who could justly be spoken of as propertyless."

To admit that the number of propertyless workers is decreasing seems to the more orthodox socialist to involve the admission that the social revolution will never come. When Bernstein asserted, at a socialist gathering in Stuttgart, that the number of property owners was increasing, Kautsky said, "If the capitalists and not the propertyless are increasing in numbers, then we are falling farther and farther behind in our struggle toward the goal; then capitalism is being intrenched and Socialism is farther away than ever." To this Bernstein replies, "The outcome of this struggle does not depend upon the

concentration of capital in the hands of an ever diminishing number of magnates, nor upon the entire dialectic scaffold whereon this theory rests, but upon the increase of social wealth, productive power, and general progress, and especially upon the intellectual and moral maturity of the working class itself."

A position like this is far stronger than that of orthodox Socialism. The working class, in spite of prosperity, or because of it, is growing in economic and political power in every capitalistic country. The socialists of Germany, only a part of the working class, cast in the imperial elections over 3,000,000 votes. The socialist vote in France is now nearly 1,000,000; in Belgium, 300,000; in Italy, 250,000; in Switzerland, 100,000. The socialist vote in the United States was 36,275 in the presidential election of 1896; in 1900 it was 98,424; and in 1904 it was 434,572. In Great Britain the socialist vote in 1900 was about 100,000; in the election of 1906 it was probably over 300,000. In the new British Parliament there is an independent labor group of about 29 members, not all socialists, but organized under the leadership of Keir Hardy, and representing distinctively the interests of the working class. In the federal House of Representatives of Australia, the representatives of labor number about 24, out of a total of 72 members. The socialist vote of the world may be estimated at about 6,000,000.

The working class, as a whole, constitutes a majority of the people in every capitalistic country, and if they were united into a single political party, they could modify or abolish capitalism and establish any system of production and distribution that might seem desirable to them. But the working class is not united, nor is it likely to unite upon a platform so radical as that of revolutionary Socialism. Socialists, even in Germany, bemoan the lack of solidarity among the working class, and call upon them to put aside their trivial differences and present a united front to the common enemy. But the working men are even less united in England and the United States, where they are more free and more prosperous, than they are in Germany. As Bernstein says, "Liberty develops a spirit of individuality, and even of peculiarity."

Within the ranks of professed socialists there is by no means complete unanimity of opinion and purpose. Not all labor representatives are socialists, nor all who vote the socialist ticket. Many of the so-called socialists of Germany would be called reformers in England and in the United States. In fact, the socialist party of Germany is coming to be a party of reform rather than a party of radical revolution. Also, the theoretical foundations of Socialism are being undermined by criticism from without and from within. Ortho-

dox Socialism has been shown to be theoretically unsound, and its fundamental doctrines will need to be revised if they are to appeal to the growing intelligence of the working class.

Although it is highly improbable that the working class of the United States will ever unite in support of the program of revolutionary Socialism, it is quite conceivable that they may, at no distant date, unite to form a political party to represent their own interests, to help in every possible way to improve their own material condition. Without doubt the Republican and Democratic parties are largely controlled by capitalistic influence, and there is no great party which represents the interests of the working people as such. The great question of the day is the question concerning the distribution of wealth, and it is reasonable to suppose that the political parties of the future will divide upon an issue so vital to all classes of society.

The formation of a labor party by no means involves the political triumph of that party, but it must be admitted that such a triumph is within the bounds of possibility. Let us then suppose that the working class, not merely the proletariat, but the whole working class, obtains the political power in municipal, state, and federal governments. This is the social revolution so much desired by socialists and so greatly feared by capitalists. The class once subordinate has become dominant,

and the class once dominant has become of secondary importance. The revolution is accomplished, and it now remains for the working class to use their power for their own advantage. What will they do?

The socialist has his answer ready. In the words of the Communist Manifesto, "The proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the State." Was there ever a more gratuitous assumption? Why should the working class do this? They should do it if socialized capital would be more productive than capital in private hands. But is there any reason to think that it would be so? There is every reason to think that socialized capital would be far less productive than capital managed by private owners for private gain. The efficiency of the public servant is not to be compared to that of the employee of a private concern. The public service in general, with its red-tape and routine, its conservative and unprogressive spirit, its lack of enterprise and initiative, its slowness and sense of security, is in its very nature far less efficient than a large private corporation, and still less efficient when compared with a private business carried on under the direct supervision of the proprietor, whose economic existence is dependent upon the success of the enterprise

which he has in hand. As Seligman says, "With human nature as it exists at present, and as it bids fair to continue for an incalculable future, Socialism, if ever realized in practice, would be the death knell of economic advance and true social betterment."

If it be true that the public service is essentially inefficient, that collective organization cannot take the place of private enterprise, and that the vast and complicated industrial organization could not be successfully operated without the security of private property and the stimulus of private gain, it is reasonable to suppose that the dominant labor class of the future will be aware of that fact, and will bend their energies, not to the destruction of capitalism but to the preservation and utilization of it. They will not try the dangerous experiment of socializing the means of production, but will leave them in the hands of those who can use them best, so that the goose which lays golden eggs may continue to lay golden eggs, for the benefit of all concerned. The social revolution, then, will be a revolution without Socialism, or without that particular form of Socialism expected by the followers of Marx.

A revolution such as this is not greatly to be feared, for it will not come until the time is ripe and the working people have attained a degree of intellectual and moral maturity such as will fit

them for political and industrial domination. Doubtless it will be many years before such conditions will be attained, but meanwhile the growing power of the working class will do much to mitigate the evils of capitalism, to eliminate exploitation, and to secure for all workers a just share in the distribution of the common product.

Socialists do not sufficiently consider the possibilities of improvement within the capitalistic system. They are unduly pessimistic with regard to the present, and extravagantly optimistic with regard to the future. Human nature under capitalism is utterly bad; when Socialism is established, it will be well-nigh perfect. At present the working class can do nothing to improve their condition; when they obtain the political power, they will be able to do everything. This is a striking example of mental perversion, reminding one of the doctrines of certain theologians, who believe in the total depravity of the wicked and the absolute perfection of the good. In such a dualism there is a contradiction which no amount of dialectical synthesis can ever explain away. Far more reasonable is the opinion of Ely, who says, "It is my belief that our existing society has great vitality, that it is sound in its most essential elements, that a widely diffused ownership of wealth is practicable, and that the work which is required is improvement along existing lines."

Orthodox Socialism proceeds from Germany, and bears the earmarks of its origin. The British and American spirit is quite different, being neither optimistic nor pessimistic, but rather melioristic, in its attitude toward the evils of the present time. It is a spirit of compromise and common sense, whereby abuses tend to be eliminated one by one, as fast as may be, without an accumulation of evils necessitating a revolution to sweep them all away. In this way the English and American constitutions have gradually grown to fit the political body like a skin, and not like a ready-made suit of clothes. In this way many of the abuses of capitalism have been removed, and many more will be removed in time to come. Socialists do not sufficiently consider the evolution of law as an essential part of social evolution. They speak of economic and political evolution, but appear to regard the law as a system of cast-iron customs, rigid fetters, binding the limbs of society in the dungeon of an outworn civilization, not removable one by one, but all together in the throes of a terrible revolution, when, like Samson of old, society says, "I will go out and shake myself."

This conception of social life, however applicable it may be to Germany, Russia, and other countries where the normal growth of law is checked by the organized power of an uncompromising and short-sighted ruling class, supported by a standing army

and a conservative bureaucracy, cannot apply to Great Britain, the United States, and other democratic countries, where the will of the people is the supreme law, and laws are sooner or later changed to suit the changing environment. Custom and law, like the habits of an individual, are hard to change, but they may be changed and new customs may be formed, especially while society is young. Legal evolution, therefore, lags behind economic development, until abuses appear for which there is no remedy. Then the law overtakes the new economic conditions, the remedy is found, and social evolution moves on through a series of compromises, from one stumbling block to another, always imperfect, but always perfectible, toward a distant and ever receding goal — the welfare of the human race.

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